

Planning by	Reviewed	Performed by	Final review



(Registration number GT 481)  
Annual Financial Statements  
for the year ended June 30, 2013

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## General Information

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<b>Legal form of entity</b>	Local Municipality
<b>Nature of business and principal activities</b>	Municipality
<b>Legislation governing the municipality's operations</b>	Local Government :Municipal Finance Management Act (Act No. 56 of 2003) Local Government:Municipal System Act (Act 32 of 2000) Local Government:Municipal Structures Act(Act 117 of 1998) Constitution of the Republic of South Africa (Act 108 of 1996) Propety Rates Act (Act of 6 2004) Division of Revenue Act (Act 1 of 2007)
<b>Mayoral committee</b>	
Executive Mayor	Cllr. K.C. Seerane
	Speaker: Cllr. S.M. Thupane
	Chief Whip: Cllr. S. Dube
Councillors	MMC Finance: Cllr. F.O Bhayat MMC Human Settlement and Rural Development: Cllr. S. Letsie MMC Roads & Transport: Cllr. N.E. Mdlulwa MMC Corparate Support Services:Cllr N.C Mangole MMC Infrastructure Development:Cllr.M Khuzwayo MMC Economic Services:Cllr.B.Friedman MMC Health and Social Services:Cllr.E.Mathe MMC Intergrated Enviromental Management:Cllr.M.A Mathibe MMC Sports and Recreation:Cllr.K.A Setswalo-Moja MMC Public Safety:Cllr.N.Kufa
<b>Grading of local authority</b>	High Capacity (Grade 4)
<b>Accounting Officer</b>	Mr D.M Mashitisho
<b>Chief Finance Officer (CFO)</b>	Mr L.M.E Mahuma
<b>Registered office</b>	Civic Centre Cnr Commissioner & Market Street Krugersdorp 1740
<b>Business address</b>	Civic Centre Cnr Commissioner & Market Street Krugersdorp 1740
<b>Postal address</b>	P.O Box 94 Krugersdorp 1740
<b>Bankers</b>	Standard Bank of South Africa
<b>Auditors</b>	Auditor - General South Africa (AGSA)

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Index

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The reports and statements set out below comprise the annual financial statements presented to the municipal council:

<b>Index</b>	<b>Page</b>
Accounting Officer's Responsibilities and Approval	3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Assets	6
Cash Flow Statement	7
Statement of Comparison of Budget and Actual Amounts	8
Accounting Policies	9 - 30
Notes to the Annual Financial Statements	30 - 105

### Abbreviations

GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
SETA	Services Sector Education & Training Authority
GPR-HIV/AIDS	Gauteng Provincial Local Government and Housing
BKB	Bontle ke Botho
WRDM	West Rand District Municipality
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
SRAC	Sports, Recreation, Arts & Culture
DWAF	Department of Water and Forestry
GDSD	Gauteng Department of Social Development

# **Mogale City Local Municipality**

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## **Accounting Officer's Responsibilities and Approval**

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The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the Accounting Officers to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the municipality's cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has, or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the Accounting Officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors and internal auditors.

The annual financial statements set out on page 4 to 105, which have been prepared on the going concern basis, were approved by the accounting officer on August 31, 2013:

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**Municipal Manager**

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Statement of Financial Position

Figures in Rand	Note(s)	2013	Restated 2012
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Inventories	9	11,163,246	11,529,854
Other receivables from exchange transactions	10	45,215,751	44,284,188
Consumer debtors	11	394,028,861	304,658,746
Cash and cash equivalents	12	90,163,273	43,775,288
Operating lease asset	50	351,841	398,477
		<b>540,922,972</b>	<b>404,646,553</b>
<b>NON-CURRENT ASSETS</b>			
Investment property	2	512,780,785	568,269,299
Property, plant and equipment	3	5,229,913,155	5,131,729,639
Intangible assets	4	1,026,095	4,220,760
Heritage assets	5	619,685	512,536
Other financial assets/instruments	6	47,107,548	38,243,570
Biological assets that do not form part of an agricultural activity	49	3,616,652	3,395,876
		<b>5,795,063,920</b>	<b>5,746,371,680</b>
<b>Total Assets</b>		<b>6,335,986,892</b>	<b>6,151,018,233</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Retirement benefit obligation	8	12,406,384	7,828,856
Finance lease obligation	14	7,072,756	9,215,743
Unspent conditional grants and receipts	15	8,447,169	13,874,101
Provisions	16	15,654,533	14,146,715
Payables from exchange transactions	17	392,263,089	341,468,904
Other financial liabilities	18	21,945,264	17,961,031
Sundry deposits	19	9,278,847	8,551,654
VAT payable	20	70,831,889	68,725,141
Consumer deposits	21	39,458,450	35,997,439
Operating lease liability	50	148,197	572,551
		<b>577,506,578</b>	<b>518,342,135</b>
<b>NON-CURRENT LIABILITIES</b>			
Retirement benefit obligation	8	112,641,775	103,986,055
Finance lease obligation	14	5,528,003	12,020,871
Provisions	16	61,918,758	52,428,724
Other financial liabilities	18	344,697,334	177,131,998
Operating lease liability	50	-	148,197
		<b>524,785,870</b>	<b>345,715,845</b>
<b>TOTAL LIABILITIES</b>		<b>1,102,292,448</b>	<b>864,057,980</b>
<b>NET ASSETS</b>		<b>5,233,694,444</b>	<b>5,286,960,253</b>
<b>NET ASSETS</b>			
Accumulated surplus		5,233,694,444	5,286,960,253

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Statement of Financial Performance

Figures in Rand	Note(s)	2013	Restated 2012
<b>Revenue</b>			
Property rates	24	272,542,224	247,752,947
Property rates - penalties imposed	24	20,863,421	12,747,000
Service charges	25	1,068,152,668	951,363,075
Government grants & subsidies	26	350,187,328	298,564,361
Rental of facilities and equipment	27	2,820,595	3,148,630
Interest received - investment	28	13,598,049	4,716,966
Dividends received	28	-	12,688
Interest received - Outstanding debtors		10,348,995	10,202,152
Fines		10,486,829	11,035,560
Licences and permits		16,743	23,129
Income from agency services	29	24,950,345	18,999,141
Other income	30	75,490,348	209,848,988
<b>Total revenue</b>		<b>1,849,457,545</b>	<b>1,768,414,637</b>
<b>Expenditure</b>			
Employee related costs	31	(437,997,093)	(397,067,503)
Remuneration of councillors	32	(19,019,067)	(17,954,208)
Depreciation and amortisation	33	(241,042,305)	(204,098,495)
Impairment of assets	34	(981,900)	(6,556,586)
Reversal of impairment	34	1,344,000	-
Finance costs	35	(45,072,281)	(45,285,417)
Contracted services	36	(166,898,510)	(146,686,407)
Grants and subsidies paid	37	(32,509,880)	(19,893,178)
Bulk purchases	38	(607,052,115)	(540,934,961)
Debt impairment	39	(28,532,791)	(82,208,112)
Collection costs		(24,929,715)	(26,478,406)
Repairs and maintenance		(75,033,549)	(62,552,199)
General Expenses	40	(225,344,177)	(169,466,097)
<b>Total expenditure</b>		<b>(1,903,069,383)</b>	<b>(1,719,181,569)</b>
<b>Operating (deficit) surplus</b>		<b>(53,611,837)</b>	<b>49,233,068</b>
<b>(Deficit) surplus for the year</b>		<b>(53,611,837)</b>	<b>49,233,068</b>
(Deficit)/Surplus for the year		(53,611,837)	49,233,068

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	5,367,498,163	5,367,498,163
Adjustments		
Prior year adjustments	(221,372,818)	(221,372,818)
<b>Balance at July 01, 2011 as restated</b>	<b>5,146,125,314</b>	<b>5,146,125,314</b>
Changes in net assets		
Surplus for the year	49,233,068	49,233,068
Total changes	49,233,068	49,233,068
Opening balance as previously reported	5,173,132,201	5,173,132,201
Adjustments		
Prior year adjustments	113,828,052	113,828,052
<b>Balance at July 01, 2012 as restated</b>	<b>5,286,960,253</b>	<b>5,286,960,253</b>
Changes in net assets		
Deficit for the year	(53,611,837)	(53,611,837)
Other changes	346,028	346,028
Total changes	(53,265,809)	(53,265,809)
<b>Balance at June 30, 2013</b>	<b>5,233,694,444</b>	<b>5,233,694,444</b>

Note 45



# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Cash Flow Statement

Figures in Rand	Note(s)	2013	Restated 2012
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property rates		301,849,988	288,373,404
Cash receipts from services rendered		954,510,136	840,059,156
Government Grants		344,760,399	302,000,914
Interest income		13,598,049	4,716,966
Dividends received		-	12,688
Other receipts		264,419,976	270,603,983
		1,879,138,548	1,705,767,111
<b>Payments</b>			
Employee costs		(437,689,097)	(418,880,383)
Cash paid to Suppliers and other payments		(1,211,199,304)	(1,068,147,428)
Finance costs (Interest paid)		(45,072,281)	(45,285,417)
		(1,693,960,682)	(1,532,313,228)
<b>Net cash flows from operating activities</b>	41	<b>185,177,866</b>	<b>173,453,883</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(299,855,850)	(168,958,747)
Proceeds from sale of property, plant and equipment	3	7,540,982	7,774,014
Purchase of investment property	2	(18,578,875)	-
Proceeds from sale of investment property	2	-	1,817,884
Purchase of other intangible assets	4	(172,900)	-
<b>Net cash flows from investing activities</b>		<b>(311,066,643)</b>	<b>(159,366,849)</b>
<b>Cash flows from financing activities</b>			
Proceeds from long-term liabilities		190,994,208	-
Repayment of long term liabilities		(19,444,639)	(10,605,166)
Sundry deposits		727,193	957,758
<b>Net cash flows from financing activities</b>		<b>172,276,762</b>	<b>(9,647,408)</b>
<b>Net increase in cash and cash equivalents</b>		<b>46,387,985</b>	<b>4,439,626</b>
Cash and cash equivalents at the beginning of the year		43,775,288	39,335,662
<b>Cash and cash equivalents at the end of the year</b>	12	<b>90,163,273</b>	<b>43,775,288</b>

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Note 59
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Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Property rates	286,766,926	(20,771,533)	<b>265,995,393</b>	272,542,224	<b>6,546,831</b>	
Property rates-penalties & collection charges	15,715,186	1,385,917	<b>17,101,103</b>	20,863,421	<b>3,762,318</b>	
Service charges	1,140,415,734	(23,105,107)	<b>1,117,310,627</b>	1,068,026,371	<b>(49,284,256)</b>	
Government grants & subsidies	347,004,011	9,288,091	<b>356,292,102</b>	350,187,328	<b>(6,104,774)</b>	
Rental of facilities and equipment	3,818,556	(828,085)	<b>2,990,471</b>	2,820,595	<b>(169,876)</b>	
Interest received -investments	618,801	355,585	<b>974,386</b>	13,598,049	<b>12,623,663</b>	
Interest received-Outstanding debtors	16,758,474	(8,210,430)	<b>8,548,044</b>	10,348,995	<b>1,800,951</b>	
Fines	16,922,684	(10,145,622)	<b>6,777,062</b>	10,486,829	<b>3,709,767</b>	
Licences and permits	26,087	(9,913)	<b>16,174</b>	16,743	<b>569</b>	
Income from agency services	17,265,801	1,809,685	<b>19,075,486</b>	24,950,345	<b>5,874,859</b>	
Other income	37,198,920	(4,044,179)	<b>33,154,741</b>	75,616,646	<b>42,461,905</b>	
<b>Total revenue</b>	<b>1,882,511,180</b>	<b>(54,275,591)</b>	<b>1,828,235,589</b>	<b>1,849,457,546</b>	<b>21,221,957</b>	

#### Expenditure

Employee Related Costs	(461,055,895)	(5,368,690)	<b>(466,424,585)</b>	(437,997,093)	<b>28,427,492</b>	
Remuneration of councillors	(21,929,548)	-	<b>(21,929,548)</b>	(19,019,067)	<b>2,910,481</b>	
Depreciation and amortisation	(195,491,637)	(46,865,775)	<b>(242,357,412)</b>	(240,680,205)	<b>1,677,207</b>	
Finance costs	(44,416,925)	(7,515,555)	<b>(51,932,480)</b>	(45,072,281)	<b>6,860,199</b>	
Debt impairment	(50,577,867)	22,045,076	<b>(28,532,791)</b>	(28,532,791)	-	
Collection costs	(23,925,292)	(1,010,282)	<b>(24,935,574)</b>	(24,929,715)	<b>5,859</b>	
Repairs and maintenance	(95,856,841)	4,949,715	<b>(90,907,126)</b>	(75,033,549)	<b>15,873,577</b>	
Bulk purchases	(620,860,051)	(5,220,302)	<b>(626,080,353)</b>	(607,052,115)	<b>19,028,238</b>	
Contracted Services	(199,193,857)	32,295,347	<b>(166,898,510)</b>	(166,898,510)	-	
Grants and subsidies paid	(20,859,315)	(11,650,564)	<b>(32,509,879)</b>	(32,509,879)	-	
General Expenses	(153,123,663)	(106,892,173)	<b>(260,015,836)</b>	(225,344,177)	<b>34,671,659</b>	
<b>Total expenditure</b>	<b>(1,887,290,891)</b>	<b>(125,233,203)</b>	<b>(2,012,524,094)</b>	<b>(1,903,069,382)</b>	<b>109,454,712</b>	
<b>(Deficit)/Surplus for the year</b>	<b>(4,779,712)</b>	<b>(179,508,794)</b>	<b>(184,288,506)</b>	<b>(53,611,837)</b>	<b>130,676,669</b>	

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements were prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements were prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

The accounting policies are consistent with those used to present the previous year's annual financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

#### 1.1 Significant judgements and sources of estimated uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. When any significant judgements and sources of estimates uncertainty are applicable, they have been disclosed in the relevant notes and policies.

#### 1.2 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or service potential, other than investment properties, or for administrative purposes, and are expected to be used during more than one period.

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment. Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary asset, or a combination of monetary and non-monetary asset, the asset acquired is initially measured at fair value. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset given up.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Accounting Policies

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### 1.2 Property, plant and equipment (continued)

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Accounting Policies

### 1.2 Property, plant and equipment (continued)

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met. The municipality maintains and acquires assets to provide a social service to the community. The useful lives and economic lives of these assets are equal and consequently no residual values are determined. Depreciation is calculated on cost, using the straight line method, over the estimated useful lives of the assets.

The useful lives of items of property, plant and equipment have been assessed as follows:

ASSET TYPE	COMPONENT TYPE	EUL
<b>Pavements</b>		
	Bituminous surface - thick	12
	Bituminous surface - medium	9
	Bituminous surface - thin	5
	Gravel surface	3
	Concrete/block surface	20
	Structural layers – paved arterial/distributors	30
	Structural layers - paved collectors	50
	Structural layers – paved access roads	80
<b>Earthworks</b>		
	Cut and fill earthworks	100
<b>Road drainage</b>		
	Kerbs- Arterial/Distributor	20
	Kerbs - Collector/Access	50
	Kerb inlets	20
	Lined open drain	50
<b>Road Furniture</b>		
	Guard Rail	15
	Commuter shelter	15
	Road marking	5
	Mini roundabout	20
	Speed hump	20
	Traffic island	20
	Footpaths	20
	Street Signs	20
	Traffic Signs	7
	Traffic signal	15
<b>Bridges</b>		
	Super-structure	100
	Sub-structure	100
	Side barrier	60
	Abutment	100
<b>Retaining walls</b>		
	Anchored wall	50
	Retaining wall	60
<b>Storm-water Conveyance</b>		
	Canal lining	50
	Gabions	50
	Rip rap	20
	Culvert	60
<b>MECHANICAL &amp; ELECTRICAL PLANT</b>		
<b>Mechanical plant</b>		
	Pump	15
	Engine	15
	Doser	15
	Generator	20
	Waste compactor	15
	Weighbridge	15
	Gas monitoring equipment	15

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Accounting Policies

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### 1.2 Property, plant and equipment (continued)

<b>Electrical plant</b>	Baler	15
	Motor	15
	Telemetry	15
	Control panel	30
	Isolator	30
	Power factor equipment	30
<b>CIVIL INFRASTRUCTURE &amp; PIPEWORK</b>		
<b>Civil Structure</b>		
	Mild Steel structure	30
	Timber structure	15
	Masonry structure	30
	Concrete structure	50
	Earthfill dam wall	80
	Rockfill dam wall	150
	Rollcrete dam wall	200
	Filter media	20
	Tank - plastic	15
	Tank - steel	30
	Tank - concrete	50
	Landfill lining	50
	Mild steel fittings	20
	Stainless steel fittings	40
	Borehole well & lining	30
<b>Pipe-work</b>		
	uPVC pipe	60
	Steel pipe	80
	HDPE pipe	80
	Clay	100
	Concrete - sanitation	40
	Concrete – storm-water	50
	Asbestos-cement pipe	40
	Sub-soil drains	60
	Valve	20
	Hydrant	20
	Meter	10
	Erf connection - water	50
	Erf connection - sewer	50
	Communal Pedestal	10
<b>HV Conductors</b>		
	Cable	50
	Pilot Cables	50
	HV Overhead Line	50
<b>HV Substation</b>		
	Transformer	45
	VTs (voltage transformer)	45
	CTs (current transformer)	45
	AUX Transformer	45
	Transformers NEC	45
	Panel	45
	HV Switchgear - Breakers	45
	HV Switchgear - Isolators	45
<b>MV Conductors</b>		
	Cable	50
	Pilot Cables	50
	MV Overhead Line	50
<b>MV Substation</b>		
	Transformer	45
	VTs (voltage transformer)	45

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Accounting Policies

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### 1.2 Property, plant and equipment (continued)

	CTs (current transformer)	45
	AUX Transformer	45
	MV Switchgear - Breakers	45
	MV Switchgear - Isolators	45
	Panel	45
	Ring Main Unit	45
<b>MV Switchgear</b>		
	Breakers	45
	Isolator	45
	Panel	45
<b>MV Transformer</b>		
	Mini-Sub	45
	Pole Transformer	45
<b>LV Conductors</b>		
	LV Cable	50
	LV Overhead Lines	50
<b>Public Lighting</b>		
	Street Light	45
	High mast	45
<b>Municipality Service Connection</b>		
	LV Cable	50
	LV Overhead Line	50
	Electricity Meter	20
<b>Building Elements</b>		
	Air conditioning	20
	Electrical installation	30
	Finishes	10
	Fire protection	20
	Fixtures & fittings	15
	Plumbing	20
	Security system	20
	Building Structure - Walls	60
	Building Structure - Roofs	40
	Lifts	10
<b>Service Connections (on site)</b>		
	Sewer connection	50
	Water connection	50
	Electricity	50
	VIP Latrine	5
	Septic tank	40
<b>OPEN SPACES</b>		
<b>External Improvements</b>		
	Perimeter wall	30
	Fence - wire	15
	Landscaping	30
	Lawns	30
	Irrigation	10
	Flood lights	30
	Light bollards	30
	External furniture	20
<b>Sports facilities</b>		
	Tennis court	15
	Bowling green	20
	Sportsfield	30
	Swimming pool	20
	Golf course	50
	Stadium	50

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Accounting Policies

---

### 1.2 Property, plant and equipment (continued)

#### Other property plant and equipment

Office Equipment	5-10
Furniture and fittings	7-10
Bins and containers	5-10
Emergency Equipments	5-15
Motor Vehicles	3-20
Plant and Equipment	2-15
Others	15-100
Books	5-10

Animals PPE	20-80
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# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Accounting Policies

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### 1.2 Property, plant and equipment (continued)

### 1.3 Investment property

Investment property includes property (land or a building - or part of a building - or both land and buildings held under finance lease) held to earn rentals or for capital appreciation, rather than held to meet service delivery objectives, production and supply of goods or services, or sale of assets in the ordinary course of operations

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date (30 June 2013).

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measure that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity apply the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

### 1.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Accounting Policies

---

### 1.4 Financial instruments (continued)

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Accounting Policies

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### 1.4 Financial instruments (continued)

- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Consumer debtors, long term receivables and other debtors are stated at cost less a provision for bad debts. The provision is made on an individual basis or group, based on expected cashflows. At each reporting date an assessment is made of whether there is any objective evidence of impairment of financial assets.

#### **Sundry Deposits.**

Sundry deposits are assessed for impairment to ensure that no objective evidence exist that these deposits are irrecoverable.

#### **Sundry Debtors.**

Sundry debtors are those suspense control accounts classified as financial instruments with debit balances as at year end. Sundry debtors are assessed individually for impairments to ensure that no objective evidence exists that these debtors are irrecoverable

### 1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### **Finance leases - lessor**

The municipality recognises finance lease receivables as assets on the Statement of Financial Position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease. Lease payment relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance revenue.

#### **Finance leases - lessee**

At the commencement of the lease term, the economic entity recognise finance leases as assets and liabilities in the statement of financial position at an amount equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the economic entity's incremental borrowing rate is used. Any initial direct costs of the economic entity are added to the amount recognised as an asset. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent rents are charged as expenses in the periods in which they are incurred. A finance lease gives rise to a depreciation expense for depreciable assets as well as finance expense for each accounting period. The depreciation policy for depreciable leased assets is consistent with that for depreciable assets that are owned, and the depreciation recognised is calculated in accordance with the relevant accounting policy that the specific depreciable leased asset relates to. If there is no reasonable certainty that the economic entity will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Accounting Policies

---

### 1.5 Leases (continued)

#### Operating leases - lessor

The economic entity present assets subject to operating leases in the Statement of Financial Position according to the nature of the asset. Lease revenue from operating leases is recognised as revenue on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. Costs, including depreciation, incurred in earning the lease revenue are recognised as an expense. Lease revenue is recognised on a straight-line basis over the lease term even if the receipts are not on such a basis, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred by the economic entity in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue. The depreciation policy for depreciable leased assets is consistent with the economic entity's normal depreciation policy for similar assets.

#### Operating leases - lessee

Lease payments under an operating lease are recognised as an expense in the Statement of Financial Performance on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefit to the economic entity.

### 1.6 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Accounting Policies

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### 1.7 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### Defined contribution plans

Defined contributions plans are post employment benefits which the municipality pays fixed contributions into medical aid scheme for pensioners who previously worked for Mogale City and their spouses

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

#### Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the Statement of Financial Position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

#### Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Accounting Policies

---

### 1.7 Employee benefits (continued)

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

#### **Long service award**

The municipality offers various types of long service awards to its employees. The present value of the long service award obligation depends on the actuarial assumptions. The assumptions used to determine the obligation include the discount rate, inflation, the average retirement age and the actuarial assumptions. The increase or decrease on the obligation is recognised in the Statement of Financial Performance. The obligation is recognised on the statement of financial position.

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Accounting Policies

---

### 1.8 Provisions and contingent liabilities and assets

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate and those which can be settled within twelve months are treated as current liabilities. All other provisions are treated as non current liabilities.

A provision is used only for expenditures for which the provision was originally recognised

All contingencies are disclosed in the financial statements as note describing the nature timing and extent of the event.

#### a) Landfill rehabilitation provision

The landfill rehabilitation provision is created for the rehabilitation of the current operational landfill site at an estimated time of closure. The value of the provisions based on the expected future cost to rehabilitate the various sites discounted back to the reporting date at the cost to capital which is 10%

The municipality has an obligation to rehabilitate the landfill site, the costs include the initial estimate of the cost to rehabilitate the land and restoring the land and restoring the site, the obligation of the municipality incurs as a result of having used the property during the particular period for landfill purposes.

The municipality estimates that the useful life of landfill sites and assumptions thereto which influence the future cost to be provided for.

The asset is measured using the cost model:

- (a) subject to changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the economic entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit

#### b) Gratuity payment provision

The provision is for the unpaid periods and is based on the pro rata accrual to retired employees based on the council resolution

#### c) Workmans compensation

The provision is for the unpaid periods, estimated in the latest return submitted to the compensation commissioner.

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Accounting Policies

---

### 1.9 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the economic entity directly in return for services rendered /goods sold, the value of which approximates the consideration received or receivable. Revenue is the gross inflows of economic benefits or service potential during the reporting period when those inflows result in increases in net assets, other than increases relating to contributions from owners. Revenue is measured at the fair value of the consideration received or receivable. When the inflow of cash or cash equivalents is deferred and the fair value of the consideration is less than the nominal amount of cash received or receivable, the arrangement effectively constitutes a financing transaction. The fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest.

The imputed rate of interest is the more clearly determinable of either:

- the prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- a rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue. Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis and revenue is recognised when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. There are areas within the economic entity where an un-metered water tariff is applied based on estimated consumption as per promulgated tariffs. Revenue for these is recognised when invoiced.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property size, and are levied monthly. Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis. Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement. Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Dividends are recognised when the economic entity's right to receive payment is established. Revenue from the sale of goods is recognised when the following conditions have been satisfied:

- the economic entity has transferred to the buyer the significant risks and rewards of ownership.
- the economic entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- the amount of revenue can be measured reliably.
- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity.
- the costs incurred or to be incurred in respect of the transaction can be measured reliably



# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Accounting Policies

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### 1.10 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the economic entity received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis. A rating system charging one tariff is employed. Rebates and remissions are granted to certain categories of ratepayers and are recognised net of revenue.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of fines that will be received based on past experience of amounts collected. Revenue from public contributions and donations is recognized when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the economic entity.

Where public contributions have been received but the economic entity has not met the related conditions, a deferred income (liability) is recognized. Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the economic entity.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

### 1.11 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

#### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Accounting Policies

---

### 1.11 Impairment of cash-generating assets (continued)

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

#### Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

#### Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

#### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Accounting Policies

---

### 1.11 Impairment of cash-generating assets (continued)

#### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

#### Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Accounting Policies

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### 1.11 Impairment of cash-generating assets (continued)

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.12 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Accounting Policies

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### 1.12 Impairment of non-cash-generating assets (continued)

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:  
[Specify criteria]

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Accounting Policies

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### 1.12 Impairment of non-cash-generating assets (continued)

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.13 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Accounting Policies

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### 1.14 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's Supply Chain Management policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.15 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

### 1.16 Heritage assets

The effective date of the Accounting standard on Heritage assets is effective for financial years commencing on or after 1 April 2012. Complying with this principle the municipality identified and reviewed all heritage assets belonging to the municipality.

If an insignificant portion of a heritage asset, for example a historic building, is held for use in the production or supply of goods or services or for administrative purposes, the building will be classified as a heritage asset but if a significant part of the heritage asset is used in the production or supply of goods or services or for administrative purposes, the building will be classified as PPE.

Chief Mogale Statue (in front of the Town Hall) could not have been measured reliable on initial recognition. The reason for not measuring the statue was because it was impracticable to estimate a value taking into account the historical and material value of the statue. There is also no market related value to compare it with.

### 1.17 Biological assets that form part of an agricultural activity

Biological assets are plants and animals. Biological assets which do not form part of PPE are initially recorded at cost and subsequently fair valued.

Biological assets that form part of an agricultural activity are measured at their fair value less point-of-sale costs.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

Currently the Biological assets of the municipality are not depreciated.

### 1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Accounting Policies

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### 1.18 Fruitless and wasteful expenditure (continued)

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.19 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

### 1.20 Corresponding figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated according

### 1.21 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 7/1/2012 to 6/30/2013.

The annual annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

### 1.22 Going Concern

These annual financial statements have been prepared on a going concern basis i.e the assumption that the Municipality will continue to operate as a going concern for at least 12 months.



## Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

### Notes to the Annual Financial Statements

Figures in Rand

#### 2. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	515,346,260	(2,565,475)	512,780,785	570,834,774	(2,565,475)	568,269,299

## Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

### Notes to the Annual Financial Statements

Figures in Rand

#### 2. Investment property (continued)

##### Reconciliation of investment property - 2013

	Opening balance	Additions	Fair value adjustments	Total
Investment property	568,269,299	18,578,875	(74,067,390)	512,780,785

##### Reconciliation of investment property - 2012

	Opening balance	Disposals	Impairments	Fair value adjustments	Total
Investment property	594,654,889	(1,817,884)	(2,565,475)	(22,002,231)	568,269,299

##### Deemed cost

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	105,338,640	-	105,338,640	105,338,640	-	105,338,640
Buildings	389,429,204	(240,020,667)	149,408,537	380,263,519	(228,723,157)	151,540,362
Plant and machinery	26,370,514	(16,101,481)	10,269,033	22,838,654	(12,824,510)	10,014,144
Furniture and fixtures	14,892,658	(7,411,175)	7,481,483	11,992,072	(6,612,759)	5,379,313
Motor vehicles	21,016,565	(18,937,190)	2,079,375	20,082,836	(15,903,238)	4,179,598
Office equipment	2,841,598	(2,066,228)	775,370	2,330,944	(1,906,705)	424,239
IT equipment	12,985,491	(10,280,180)	2,705,311	13,081,095	(8,718,055)	4,363,040
Roads	13,332,662,341	(1,114,393,893)	12,218,268,448	3,281,500,942	(1,017,383,314)	2,264,117,628
Community assets	937,443,175	(351,781,389)	585,661,786	849,255,036	(331,150,519)	518,104,517
Bins and containers	7,364,996	(6,511,725)	853,271	6,774,316	(6,479,839)	294,477
Electricity	2,633,064,290	(1,551,126,912)	1,081,937,378	2,527,101,397	(1,508,173,312)	1,018,928,085
Emergency equipment	73,198	(34,546)	38,652	73,198	(21,508)	51,690
Other leased Assets	29,429,124	(20,555,387)	8,873,737	28,838,967	(11,180,568)	17,658,399
Animals PPE	261,000	(45,200)	215,800	261,000	(22,600)	238,400
Inventory items	1,763,723	(1,202,592)	561,131	1,226,293	(128,885)	1,097,408
Library books	18,962,405	(8,434,617)	10,527,788	17,700,169	(6,496,813)	11,203,356
Wastewater network	1,251,234,043	(671,150,202)	580,083,841	1,201,126,798	(651,954,060)	549,172,738
Water network	982,522,349	(517,688,775)	464,833,574	962,592,859	(492,969,254)	469,623,605
<b>Total</b>	<b>19,767,655,314</b>	<b>(4,537,742,159)</b>	<b>15,229,913,155</b>	<b>9,432,378,735</b>	<b>(4,300,649,096)</b>	<b>5,131,729,639</b>

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment reversal	Total
Land	105,338,640	-	-	-	-	-	105,338,640
Buildings	151,540,362	9,165,685	-	-	(11,297,510)	-	149,408,537
Plant and machinery	10,014,144	3,545,566	(13,706)	-	(3,276,971)	-	10,269,032
Furniture and fixtures	5,379,313	2,772,896	(7,989)	135,679	(798,416)	-	7,481,483
Motor vehicles	4,179,599	962,673	(28,944)	-	(3,033,953)	-	2,079,375
Office equipment	424,239	517,031	(10,076)	3,699	(159,523)	-	775,370
IT equipment	4,363,040	550,669	(734,233)	87,960	(1,562,125)	-	2,705,311
Roads	2,264,117,629	54,282,116	(3,120,717)	-	(97,010,579)	-	2,218,268,449
Community assets	518,104,517	61,205,726	(1,721,374)	28,703,787	(21,974,870)	1,344,000	585,661,786
Bins and containers	294,477	590,680	-	-	(31,886)	-	853,271
Electricity	1,018,928,085	92,457,138	-	13,505,755	(42,953,600)	-	1,081,937,378
Emergency Equipment	51,691	-	-	-	(13,038)	-	38,652
Other leased Assets	17,658,399	590,157	-	-	(9,374,818)	-	8,873,737
Animals PPE	238,400	-	-	-	(22,600)	-	215,800
Inventory items	1,097,407	504,532	(3)	32,900	(1,073,707)	-	561,130
Library books	11,203,356	770,305	-	491,931	(1,937,804)	-	10,527,789
Wastewater network	549,172,738	52,011,185	(1,903,940)	-	(19,196,142)	-	580,083,841
Water network	469,623,603	19,929,491	-	-	(24,719,520)	-	464,833,574
	<b>5,131,729,639</b>	<b>299,855,850</b>	<b>(7,540,982)</b>	<b>42,961,711</b>	<b>(238,437,062)</b>	<b>1,344,000</b>	<b>5,229,913,155</b>

## Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	105,338,640	-	-	-	-	-	105,338,640
Buildings	110,796,196	5,641,537	(139,702)	44,405,379	(8,694,783)	(468,266)	151,540,362
Plant and machinery	10,090,289	259,711	-	-	(335,856)	-	10,014,144
Furniture and fixtures	3,330,161	2,324,425	(366)	190,216	(465,124)	-	5,379,313
Motor vehicles	4,868,818	89,880	(527,074)	-	(252,025)	-	4,179,599
Office equipment	443,793	41,856	-	-	(61,409)	-	424,239
IT equipment	5,138,525	145,257	(10,002)	-	(910,740)	-	4,363,040
Roads	2,297,930,976	29,201,758	(3,995,701)	9,442,337	(68,461,742)	-	2,264,117,629
Community assets	419,512,340	30,992,103	(1,145,367)	90,009,559	(17,863,797)	(3,400,322)	518,104,517
Bins and containers	198,057	131,256	-	-	(34,836)	-	294,477
Electricity	1,010,690,246	35,691,933	(1,955,802)	7,732,389	(33,108,157)	(122,524)	1,018,928,085
Emergency Equipment	64,064	-	-	-	(12,373)	-	51,691
Other leased Assets	13,314,155	12,869,949	-	-	(8,525,706)	-	17,658,398
Animals PPE	-	-	-	261,000	(22,600)	-	238,400
Inventory items	31,279	1,083,033	-	-	(16,904)	-	1,097,408
Library books	12,126,119	280,332	-	661,448	(1,864,543)	-	11,203,356
Wastewater network	491,628,957	49,200,670	-	36,817,169	(28,474,059)	-	549,172,738
Water network	445,747,850	1,005,047	-	55,859,091	(32,988,385)	-	469,623,603
	<b>4,931,250,465</b>	<b>168,958,747</b>	<b>(7,774,014)</b>	<b>245,378,588</b>	<b>(202,093,039)</b>	<b>(3,991,112)</b>	<b>5,131,729,639</b>

#### Capitalised expenditure(including borrowing costs)

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>3. Property, plant and equipment (continued)</b>		
Included in the additions there is work in progress of ( 2013: R 157,621,944) (2012: -R26,337,503.14)		
<b>Work-in-progress reconciliation</b>		
Buildings	9,165,685	4,831,547
Community	36,582,324	8,205,826
Electricity	33,971,506	(7,661,387)
Roads	12,262,568	(19,879,165)
Waste Water Network	41,882,558	39,712,607
Water Network	19,929,490	(53,151,577)
Furniture and Fittings	(258,158)	1,316,352
Plant and Equipment	2,829,054	102,715
Office Machines	140,186	54,323
Computer Equipment	192,809	-
Intangible Assets	172,900	-
Library books	160,342	-
Bins and Containers	590,680	131,256
	<b>157,621,944</b>	<b>(26,337,503)</b>

The municipality has the assets with carrying value of R1 and is intending to replace them in due course. below are the grouped category of those assets.

### Property plant and equipment

	Cost	Accumulated depreciation	Carrying value
Bins & Containers	6,397,878	(6,397,877)	1
Emergency Equipment	3,700	(3,699)	1
Furniture & fittings	3,989,463	(3,983,462)	1
Inventory items	49,156	(49,155)	1
Office Equipment	2,785,876	(2,785,875)	1
Motor Vehicles	687,489	(687,488)	1
Plant & Equipment	4,873,393	(4,873,392)	1
	<b>18,786,955</b>	<b>(18,780,948)</b>	<b>7</b>

### Capital Spares Reconciliation

Opening balance	11,279,286	13,037,051
Additions	5,881,251	7,732,389
Spares Capitalised	(4,172,400)	(9,490,154)
	<b>12,988,137</b>	<b>11,279,286</b>

## Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

### Notes to the Annual Financial Statements

Figures in Rand

#### 4. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	11,366,064	(10,339,969)	1,026,095	11,193,164	(6,972,404)	4,220,760

#### Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Impairment loss	Total
Computer software	4,220,760	172,900	(2,385,665)	(981,900)	1,026,095

#### Reconciliation of intangible assets - 2012

	Opening balance	Amortisation	Total
Computer software	6,226,217	(2,005,456)	4,220,760

## Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

### Notes to the Annual Financial Statements

Figures in Rand

#### 5. Heritage assets

	2013			2012		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	619,685	-	619,685	512,536	-	512,536

#### Reconciliation of heritage assets 2013

	Opening balance	Additions	Transfers	Total
Historical buildings	512,536	299	106,850	619,685

#### Reconciliation of heritage assets 2012

	Opening balance	Transfers	Total
Historical buildings	51,361	461,174	512,536



# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>6. Other financial assets</b>		
<b>At fair value</b>		
Listed shares(9670 interest in ordinary shares)	448,960	348,920
These listed shares held by Sanlam Pty Ltd and were valued at a market value of R46.00 per share.		
<b>At amortised cost</b>		
Investments	46,658,588	37,894,650
These investments are held by RMB (Rand Mecharnt Bank) which are sinking funds for the long term loans maturing in December 2017.		
<b>Total other financial assets/instruments</b>	<b>47,107,548</b>	<b>38,243,570</b>
<b>Non-current assets</b>		
Designated at fair value	448,960	348,920
At amortised cost	46,658,588	37,894,650
	<b>47,107,548</b>	<b>38,243,570</b>

## 7. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

### 2013

	Financial instruments at fair value	Financial instruments at amortised	Total
Other financial assets (Investment) (refer to note 6)	448,960	46,658,588	47,107,548
Other receivables from non- exchange transctions (refer to note 10)	-	45,215,751	45,215,751
Consumer Debtors (refer to note 11)	-	394,028,861	394,028,861
Call accounts money market accounts (refer to note 12)	56,741,505	-	56,741,505
	<b>57,190,465</b>	<b>485,903,200</b>	<b>543,093,665</b>

### 2012

	Financial Instruments at fair value	Financial instruments at amortised	Total
Other financial assets (Investment) (refer to note 6)	348,920	37,894,650	38,243,570
Other receivables from non- exchange transctions(refer to note 10)	-	44,284,189	44,284,189
Consumer Debtors (refer note to 11)	-	304,658,747	304,658,747
Call accounts money market account (refer to note 12)	30,212,629	-	30,212,629
	<b>30,561,549</b>	<b>386,837,586</b>	<b>417,399,135</b>

## 8. Employee benefit obligations

### Retirement funds

An actuarial valuation has been performed of the liability in respect of post-employment health care benefits to employees and retirees of Mogale City Local Municipality and to their registered dependants as at 30 June 2013. An independent valuator which is ARCH ACTURIAL CONSULTING was appointed by the municipality to do all the calculation. The Company is practicing according to the conditions and requirements of Acturial Society of South Africa.

The municipality provides retirement for its employees and councillors. The municipality contributes to defined contribution and defined benefit funds.

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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### 8. Employee benefit obligations (continued)

The actuarial valuation determined that the retirement plan was in a sound financial position, however that it was recommended that the contribution should be increased by 6% for 12 months. This recommendation is presently being implemented.

#### Defined Contribution Funds

Where an employee has rendered services to the municipality during the year, the municipality recognises the contribution in exchange for the service immediately as an expense.

#### Defined Benefit Plan

The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes most of which offer a range of options pertaining to the levels of cover. Upon retirement a retired employee may continue membership of the medical scheme. Upon a member's death-in-service or death -on-retirement the surviving dependants may continue membership of the scheme in-service members will, and continuation members do receive a post retirement subsidy of 60% of the contribution payable, subject to a limit of R 3,557.65 per month for 2012/2013

The defined benefit funds which are run by an independent administrator are actuarially valued on the basis of the projected unit credit method.

#### Post retirement medical benefit

The municipality provides post retirement medical benefit to ex-employees. These benefits are charged to the Statement of Financial Performance in the year of payment. The expected cost of these are accrued over the period of employment. Independent actuaries carry out these valuations.

The municipality offered employees and continuation member's the opportunity of belonging to one several medical aid schemes, most of which offer range of options pertaining to the level of cover. Upon retirement an employee may continue membership of the medical aid scheme and upon a member's death-in cover or death in retirement, the surviving dependent may continue membership of the scheme.

#### The amounts recognised in the statement of financial position are as follows:

##### Carrying value

Present value of the defined benefit obligation-wholly unfunded	(125,048,159)	(111,814,911)
Non-current liabilities	(112,641,775)	(103,986,055)
Current liabilities	(12,406,384)	(7,828,856)
	<b>(125,048,159)</b>	<b>(111,814,911)</b>

#### Changes in the present value of the defined benefit obligation are as follows:

Opening balance	111,814,911	92,943,084
Net expense recognised in the statement of financial performance	13,233,248	18,871,827
<b>Closing balance</b>	<b>125,048,159</b>	<b>111,814,911</b>

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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### 8. Employee benefit obligations (continued)

#### Net expense recognised in the statement of financial performance

Current service cost	4,988,609	3,553,829
Contribution paid (Benefits paid)	(3,864,492)	(3,701,688)
Interest cost	8,588,943	7,849,683
Actuarial losses	3,520,188	11,170,003
<b>Total included in employee related costs</b>	<b>13,233,248</b>	<b>18,871,827</b>

#### Key assumptions used

Key financial assumptions used at the reporting date:

Discount rates used	8.79 %	7.81 %
Health care cost inflation rate	7.80 %	6.71 %
net effective discount rate	0.91 %	1.04 %

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand

2013

2012

### 8. Employee benefit obligations (continued)

The next contribution rate increases is assumed to occur at 1 January 2014

#### Key demographic assumptions

##### Assumption

Average retirement age	65 for male; 60 for females		
Continuation of membership at retirement	90%		
Proportion assumed married at retirement	90%		
Proportion of eligible current non-member employees joining the scheme by reirement	40%		
Mortality during employment	SA 85-90		
Mortality post retirement	PA90-1		
Withdrawal from service(sample annual rates)	<b>Age</b>	<b>Females</b>	<b>Males</b>
	20	24%	16%
	30	15%	10%
	40	6%	6%
	50	2%	2%
	>55	0%	0%

#### Sensitivity analysis

the liability at the valuation date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed rate of health care cost inflation;
- (ii) A one year age reduction in the assumed rates of post-retirement mortality;
- (iii) A one year decrease in the assumed average retirement age; and
- (iii) A 50% reduction assumed withdrawal rates.

Assumption	Change	Liability	%change
Central assumption		50.302	
General salary inflation	+1%	53.535	6%
	-1%	47.372	-6%
Average retirement age	-2 yrs	44.710	11%
	+2yrs	55.260	10%
Withdrawal rates	-50%	58.190	16%

#### Eligible employee demographic statistics

Summary of the eligible in services employees

	Female	Male	Total
No.in service members	402	411	813
No. in service of non-members	246	674	920
Total of in-service employees	648	1,085	1,733
Average Age	40.6	45.1	43.4
Average past services	9.5	15.1	13.0
Average No. of dependants for inservices members	1.4	1.6	1.5

Eligible in-service non-members were assumed to be on SAMWUMED option B should they be on a medical aid scheme at retirement.

#### Details of continuation membership

	Female	Male	Total
Number of principal numbers	57	71	128
Average age of members	73.5	72.2	72.8
Average no. of dependants	0.1	0.6	0.4
Average employee contribution	R 2,388	R 2,951	R2,700

#### Subsidy policy

In-service members are entitled to receive a post-employment subsidy of 60% of the contribution payable, subject to a limit of R 3,557.65 per month (applicable for the 2012/2013 financial year) and provided they have at least ten years of service at retirement. Current continuation members all receive a 60% subsidy and are subject to the same limit described above.

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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### 8. Employee benefit obligations (continued)

Widow(er)s and orphans of eligible in-service members are entitled to receive this same subsidy for ten years after the death in-service of an employee.

Upon a member's death-in-retirement, the surviving dependants will continue to receive the same 60% subsidy for life.

It was not possible to determine from the data which of the continuation members were dependants of deceased in-service members and who were retirees. However, there was only one continuation member who was indicated to be a widow, and it was assumed that for this continuation member, the benefit would be received until death.

### The effect of health care cost inflation rate is as follows:

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective. A health care cost inflation rate of 6.99% has been assumed. This is 1.75% in excess of expected CPI inflation over the expected term of the liability, namely 5.24%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 0.74% which derives from  $(7.78\% - 6.99\%) / 1.0699$ .

The expected inflation assumption of 5.24% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (1.94%) and those of nominal bonds (7.78%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows:  $(7.78\% - 0.50\% - 1.94\%) / 1.0194$ . The next contribution increase was assumed to occur with effect from 1 January 2014.

**Replacement ratio:** This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contribution rate tables are income-dependent. A replacement ratio of 65% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

### 9. Inventories

Consumable stores	9,665,962	10,225,055
Water	478,872	359,966
Substores	1,018,412	1,390,125
	11,163,246	11,975,146
Inventories (Obsolete write-downs)	-	(445,292)
	<b>11,163,246</b>	<b>11,529,854</b>

The events leading to the obsolete stock is because of the items not being used and they became redundant.

### 10. Other receivables from non-exchange transactions

Bulk services	13,959,221	14,010,291
Indigent parked amounts	22,672,731	22,650,706
Housing	12,822,959	13,080,643
Staff loans	5,682,130	4,553,402
Debtors staff leave	533,795	1,034,616
Other receivables	71,390,152	56,553,430
Impairment of other debtors	(81,845,237)	(67,598,900)
	<b>45,215,751</b>	<b>44,284,188</b>

### Credit quality of other receivables from exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past due nor impaired, can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>10. Other receivables from non- exchange transactions (continued)</b>		
<b>Other receivables from non- exchange transactions past due but not impaired</b>		
Other receivables from non- exchange transactions which are less than 3 months past due are not considered to be impaired. At June 30, 2013, R 30,222,910 (2012: R 19,496,344) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	17,296,155	10,818,005
2 months past due	463,556	333,177
3 months past due	12,463,199	8,345,162
Total	30,222,910	19,496,344
<b>Other receivables from non-exchange transactions impaired</b>		
As of June 30, 2013, other receivables from non-exchange transactions of R 65,703,102 (2012: R 111,883,088) were impaired and provided for.		
The amount of the provision was R 81,845,237.37 as of June 30, 2013 (2012: R 67,598,900).		
The ageing of these other debtors is as follows:		
3 to 6 months	17,699,679	11,164,497
Over 6 months	48,003,423	100,718,591
<b>Reconciliation of provision for impairment of other receivables from exchange transactions</b>		
Opening balance	67,598,900	57,438,916
Provision for impairment	14,246,337	10,159,984
	<b>81,845,237</b>	<b>67,598,900</b>
<b>11. Consumer debtors</b>		
<b>Gross balances</b>		
Rates	220,899,266	211,066,743
Electricity	125,792,891	104,223,615
Water	134,813,103	123,693,428
Sewerage	103,189,200	99,910,761
Refuse	154,185,235	149,496,976
Other	182,486,279	169,235,417
Credit Balances transferred to creditors	44,330,950	39,907,260
	<b>965,696,924</b>	<b>897,534,200</b>
<b>Less: Provision for debt impairment</b>		
Rates	(163,460,556)	(179,531,217)
Electricity	(29,306,113)	(26,504,821)
Water	(92,798,324)	(96,005,167)
Sewerage	(73,788,553)	(77,895,923)
Refuse	(116,740,665)	(125,716,671)
Other	(95,573,852)	(87,221,655)
	<b>(571,668,063)</b>	<b>(592,875,454)</b>
<b>Net balance</b>		
Rates	57,438,710	31,535,526
Electricity	96,486,778	77,718,794

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>11. Consumer debtors (continued)</b>		
Water	42,014,779	27,688,261
Sewerage	29,400,647	22,014,838
Refuse	37,444,570	23,780,305
Other	86,912,427	82,013,762
Credit Balances transferred to creditors	44,330,950	39,907,260
	<b>394,028,861</b>	<b>304,658,746</b>
<b>Rates</b>		
Current (0 -30 days)	81,672,438	76,666,370
31 - 60 days	3,645,236	5,932,292
61 - 90 days	6,286,743	3,360,493
91 - 120 days	129,294,850	125,107,588
	<b>220,899,267</b>	<b>211,066,743</b>
<b>Electricity</b>		
Current (0 -30 days)	95,363,801	69,516,643
31 - 60 days	2,318,176	6,834,184
61 - 90 days	1,292,750	2,859,223
91 - 120 days	26,818,164	25,013,565
	<b>125,792,891</b>	<b>104,223,615</b>
<b>Water</b>		
Current (0 -30 days)	39,527,265	21,449,201
31 - 60 days	3,331,963	6,920,457
61 - 90 days	3,442,959	3,931,042
91 - 120 days	88,510,916	91,392,728
	<b>134,813,103</b>	<b>123,693,428</b>
<b>Sewerage</b>		
Current (0 -30 days)	27,201,904	25,051,554
31 - 60 days	2,198,689	2,901,103
61 - 90 days	1,814,490	1,035,159
91 - 120 days	71,974,117	70,922,945
	<b>103,189,200</b>	<b>99,910,761</b>
<b>Refuse</b>		
Current (0 -30 days)	35,397,080	25,856,995
31 - 60 days	2,454,092	2,271,025
61 - 90 days	2,218,452	1,416,676
91 - 120 days	114,115,611	119,952,280
	<b>154,185,235</b>	<b>149,496,976</b>
<b>Credit Balances transferred to creditors</b>		
Current (0 -30 days)	7,770,681	5,005,444
31 - 60 days	3,044,469	1,955,435
61 - 90 days	1,837,096	1,111,601
91 - 120 days	31,678,704	31,834,780
	<b>44,330,950</b>	<b>39,907,260</b>
<b>Other</b>		
Current (0 -30 days)	51,257,282	50,917,783
31 - 60 days	5,079,348	25,616,527

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>11. Consumer debtors (continued)</b>		
61 - 90 days	3,747,869	22,514,815
91 - 120 days	122,401,780	70,184,152
	<b>182,486,279</b>	<b>169,233,277</b>
<b>Reconciliation of debt impairment provision of consumer debtors including other receivable from exchange transactions and non-current receivables</b>		
Balance at beginning of the year	663,052,192	601,508,953
Contributions to provision	28,532,791	82,208,112
Debt impairment written off against provision	(36,900,283)	(20,664,873)
	<b>654,684,700</b>	<b>663,052,192</b>
<b>Credit quality of consumer debtors</b>		
The credit quality of consumer debtors that are neither past, due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
<b>Consumer debtors past due but not impaired</b>		
Consumer debtors which are less than 3 months past due are not considered to be impaired. At June 30, 2013, R307,639,754 (2012: R 224,334,091 ) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	286,019,829	211,678,691
2 months past due	12,785,670	6,786,214
3 months past due	8,834,255	5,869,186
<b>Consumer debtors impaired</b>		
As of June 30, 2013, consumer debtors of R 965,696,924 (2012: R 897,532,060) were impaired and provided for.		
The amount of the provision was R 571,668,063 as of June 30, 2013 (2012: R 592,875,454).		
The ageing of these debtors are as follows:		
Over 6 months	571,668,063	592,875,454
<b>Reconciliation of allowance for impairment of consumer debtors</b>		
Opening balance	592,875,454	540,883,009
Provision for impairment	15,692,892	72,048,127
Amounts written off as uncollectible	(36,900,283)	(20,055,682)
	<b>571,668,063</b>	<b>592,875,454</b>
<b>Receivables from non-exchange transactions included in Consumer debtors</b>		
Rates	57,438,710	31,535,526
<b>Receivables from exchange transactions included in Consumer debtors</b>		
Electricity	96,486,778	77,718,794
Water	42,014,779	27,688,261
Sewerage	29,400,647	22,014,838
Refuse	37,444,570	23,780,305
Other	86,912,427	82,013,762
	<b>292,259,201</b>	<b>233,215,960</b>



# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>12. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	30,031	28,667
Bank balances	33,391,737	13,533,992
Call accounts money market accounts	56,741,505	30,212,629
	<b>90,163,273</b>	<b>43,775,288</b>
Current assets	90,163,273	43,775,288
Current liabilities	-	-
	<b>90,163,273</b>	<b>43,775,288</b>

### Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

### Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral [ This collateral are held by South African Post Office ]	500,000	500,000
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#### 2013

Guarantee no. Standard Bank call account no:728430118 has been binded as guarantor to South African Post Office for payments of all amounts due and payable, or which may become due and payable by the municipality in respect of bulk postings provided that the total amount to be recovered under this payment Guarantee shall not exceed in aggregate the sum of R 500,000

#### 2012

Guarantee no. G0657/396345/GLO: First Rand Bank Limited has been binded as guarantor to South African Post Office for payments of all amounts due and payable, or which may become due and payable by the municipality in respect of bulk postings provided that the total amount to be recovered under this payment Guarantee shall not exceed in aggregate the sum of R 500,000

Total financial assets pledged as collateral for contingent liabilities	500,000	500,000
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### Differences on bank statement balances and cash book balances

The differences between bank statement balances and the cash book balances amounting to R43,436, relates to transactions that are received after the cut off time for the day and are captured the next calendar day, under the retrospective date. They are usually termed 'heldovers' and should ideally be captured under retrospective date to ensure proper accounting.

In this case, these have mainly been attributed to bank charges and deposits going through the Cash Centre after cut-off hours (via Cash In Transit companies) and as such still captured after the cut off time of 20:00hrs pm, and therefore would not reflect on the same day's statement immediately.

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand 2013 2012

### 12. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances		
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	
Standard Bank-021457654	27,339	-	-	27,339	-
Standard Bank- 021307482	2,254,956	582,820	-	2,255,224	582,820
Standard Bank-021307474	1,570,241	72,671	-	1,570,241	72,671
Cheque Accounts					
Standard Bank- 021307385	35,543	36,083	-	35,543	36,083
Cheque Accounts					
Standard Bank- 021307172	14,212	900,965	-	14,265	900,965
Cheque Accounts					
Standard Bank- 021307105	22,919,052	9,055,603	-	22,919,139	9,055,603
Cheque Accounts					
Standard Bank-021306958	2,832,422	71,443	-	2,788,279	71,443
Cheque Accounts					
Standard Bank-021306532	3,737,972	2,814,406	-	3,738,271	2,814,406
Cheque Accounts					
Call Account	56,741,505	30,212,629	-	56,741,505	30,212,629
Petty Cash	30,031	28,668	-	30,031	28,668
<b>Total</b>	<b>90,163,273</b>	<b>43,775,288</b>	<b>-</b>	<b>90,119,837</b>	<b>43,775,288</b>

### 13. Non-current receivables

Sundry loans	891,260	2,241,803
Receivables credit balances transferred(creditors)	3,140	1,343
Stand and housing loans capital	277,001	334,692
Impairment receivables	(1,171,401)	(2,577,838)
	-	-

#### Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

#### Non-current receivables impaired

As of June 30, 2013, trade and other receivables of R 1,171,401 (2012: R 2,577,838) were impaired and provided for.

The amount of the provision was R 1,171,401 as of June 30, 2013 (2012: R2,577,838 ).

The ageing of these loans is as follows:

Over 6 months	1,171,401	2,577,838
---------------	-----------	-----------

#### Reconciliation of provision for impairment of non-current receivables

Opening balance	2,577,838	3,187,029
Rervesal of provision(Written off as uncollectable)	(1,406,438)	(609,191)
	<b>1,171,400</b>	<b>2,577,838</b>

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>14. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	13,423,029	15,658,558
- in second to fifth year inclusive	1,624,195	14,164,246
- later than five years	2,352,342	2,424,087
	17,399,566	32,246,891
less: future finance charges	(4,798,807)	(11,010,277)
<b>Present value of minimum lease payments</b>	<b>12,600,759</b>	<b>21,236,614</b>
<b>Present value of minimum lease payments due</b>		
- within one year	10,733,338	9,139,559
- in second to fifth year inclusive	1,042,221	11,308,824
- later than five years	825,200	788,231
	<b>12,600,759</b>	<b>21,236,614</b>
Non-current liabilities	5,528,003	12,020,871
Current liabilities	7,072,756	9,215,743
	<b>12,600,759</b>	<b>21,236,614</b>

It is municipality policy to lease certain property, motor vehicles and equipment under finance leases.

The average lease term is 36 months.

Interest rates are either fixed or variable. Some leases have fixed repayment terms and others escalate on a fixed rate and some fluctuate with prime lending rate.

## 15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

<b>Unspent conditional grants and receipts</b>		
MIG grants	892,547	-
Department of Housing	2,295,010	2,295,011
SRAC grant	-	800,317
DWAF grant	-	1,531,290
GDSD grants	3,064	1,172,407
WRDM grants	2,185,084	3,524,235
BKB grants	463,150	571,534
Expanded public works programme	978,548	893,123
Seta training grants	1,082,766	886,184
GPR-DLG:ALOE CAP	547,000	2,200,000
	<b>8,447,169</b>	<b>13,874,101</b>

## Movement during the year

Balance at the beginning of the year	13,874,101	10,437,547
Additions during the year	344,760,398	302,000,915
Income recognition during the year	(350,187,330)	(298,564,361)
	<b>8,447,169</b>	<b>13,874,101</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand

2013

2012

### 15. Unspent conditional grants and receipts (continued)

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 26 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand 2013 2012

### 16. Provisions

#### Reconciliation of provisions - 2013

	Opening Balance	Additions	write-offs	Change in discount factor	Total
Landfill site rehabilitation	14,242,754	-	-	(733,252)	13,509,502
Gratuity Provision	1,396,089	-	-	(66,933)	1,329,156
Corporate and social responsibility	3,593,847	2,635,513	-	-	6,229,360
Collateral guarantee insurance	346,030	-	(346,030)	-	-
Medical and long services leave	41,581,811	8,719,934	-	-	50,301,745
Workmans compensation	5,414,908	788,620	-	-	6,203,528
	<b>66,575,439</b>	<b>12,144,067</b>	<b>(346,030)</b>	<b>(800,185)</b>	<b>77,573,291</b>

#### Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Landfill site rehabilitation	14,682,580	-	-	(439,826)	14,242,754
Gratuity provision	1,615,442	-	(219,353)	-	1,396,089
Corporate and social responsibility	1,390,374	2,203,473	-	-	3,593,847
Collateral guarantee insurance	346,107	-	(77)	-	346,030
Medical and long services leave	34,704,278	6,877,535	-	-	41,581,813
Workmans Compensation	5,684,645	-	(269,739)	-	5,414,906
	<b>58,423,426</b>	<b>9,081,008</b>	<b>(489,169)</b>	<b>(439,826)</b>	<b>66,575,439</b>

Non-current liabilities	61,918,758	52,428,724
Current liabilities	15,654,533	14,146,715
	<b>77,573,291</b>	<b>66,575,439</b>

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand

2013

2012

### 16. Provisions (continued)

#### a. Corporate Social Responsibility Funds

The fund was established in terms of executive resolution by the Mayor in terms of which service providers and suppliers who reside outside of Mogale City Local Municipality boundaries are expected to contribute 1% out of all amounts that accrue when they tender the municipality

#### b. Gratuity Provision

The fund was established in terms of an executive resolution 30/06/86. The policy to non whites stipulated that any worker over 65yrs and has worked for the municipality for a period of 10 years and did not receive any pension compensation upon retirement. Gratuity has been paid at a 1/12 of the monthly salary for every completed years of service.

#### c. Leave and Bonus accrual

The liability is based on the total accrued leave days and accrued bonus paid.

#### d. Landfill Rehabilitation Provision

In terms of the review performed by i@ Consulting provision required for restoration of the existing landfill sites is as follows:

1. Restoration of the main portion of the Luipaardsvlei Landfill Site was completed in the 2011/2012 financial year.
2. Approval has been given by the Gauteng Department of Agriculture and Rural Development (GDARD) to close the Magalies Landfill Site in the next 5 years and owing to difficulties in securing suitable land for an alternate site, the Magalies Site is expected to continue to operate for another 5 years (with restoration 2 years thereafter).
3. GDARD has also given approval for an additional 5m air space at the Luipaardsvlei Landfill Site which is expected to last another 5 years (with restoration 2 years thereafter).
4. As a result a change in estimate of the provision for restoration of the existing sites is recommended, as follows:
  - a. Future restoration cost of the balance of Luipaardsvlei Landfill Site: R 21,709,208 (excluding VAT) in 2020/21; and
  - b. Future restoration cost of Magalies Landfill Site: R 7,249,612 (excluding VAT) in 2020/21.
5. Based on a discount rate of 10%, the provisions at 30 June 2013 will be as follows:
  - a. Luipaardsvlei Landfill Site: R 10,127,506; and
  - b. Magalies Landfill Site: R 3,381,997.

#### e. Collateral Guarantee Insurance

MCLM has housing guarantees with the bank on behalf of its employees. These employees contribute on a monthly basis to cover for the municipality possible losses.

#### f. Long Service Awards Provision

##### Summary of eligible employees

Summary of employees who are eligible for LSA as at June 2013

	Female	Male	Total
Number of employees	614	1,032	1,646
Average annual salary	284,516	262,647	270,805
Salary weighted average	41.8	46.2	44.5
Salary weighted average past services	10.6	15.2	13.4

##### Long services leave arrangements

The municipality offers employees LSA for every five years completed, from ten years of services onwards

##### Long service awards for levels of past services

Completed in service(in YRS)	Long service bonus(% annual package)	Description
10	6.4%	16/250* annual package
15	8.0%	20/250* annual package
20,25,30,35,40,45	12.0%	30/250* annual package

##### Key financial assumptions

The municipality offers various types of long service awards to its employees and the key actuarial financial assumptions are as follows

- Discount rate 7.22% (2012: 6.38%)

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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### 16. Provisions (continued)

- General salary inflation 6.79% (2012: 5.97%)
  - Net effective discount rate 0.41% (2012: 0.38 %)
- The salaries used in the valuation include an assumed increase of 6.5% in July 2012. The next salary increase is assumed to take place in July 2013.

#### Key demographic Assumptions

Assumption

Average retirement age

Mortality during employment

Withdrawal from service (sample annual rates)

Value 65 for males;60 for females SA85-90		
Age	Rate	
	Female	Male
20	24%	16%
30	15%	10%
40	6%	6%
50	2%	2%
55	0%	0%

#### Sensitivity analysis

the liability at the valuation date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed general salary inflation rate;
- (ii) A two year decrease and increase in the assumed average retirement age of employees
- (iii) A 50% decrease in the assumed withdrawal rates from services

Assumption	Change	Liability	%change
Central assumption		50.302	
General salary inflation	+1%	53.532	6%
	-1%	47.372	-6%
Average retirement age	-2 yrs	44,710	-11%
	+2yrs	55.260	10%
Withdrawal rates	-50%	58.190	16%

### 17. Payables from exchange transactions

Trade payables	214,238,241	193,672,121
Credit balance from other debtors	2,440,443	1,876,672
Other payables	1,523,650	3,724,713
Salary third payments	668,395	588,304
Unpresented cheques	18,093,106	15,524,200
Creditors fair value adjustments	-	(1,454,498)
Consumer debtors credit balances	44,330,950	39,907,260
Receivables credit balances	3,140	1,343
Inventory in transit	118,899	131,107
Unallocated cash	964,156	964,156
Undistributed deposit	22,945,793	15,546,004
Retention	25,207,251	17,668,215
Overtime Accrual	2,044,129	1,238,166
Leave accrual	37,732,855	36,230,882
Bonus accrual	21,952,081	15,850,259
	<b>392,263,089</b>	<b>341,468,904</b>

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
-----------------	------	------

### 17. Payables from exchange transactions (continued)

It is anticipated that the amounts owing to trade and other payables will be settled within the next 12 months.

#### Payables Age Analysis

##### Current (0 – 30 days)

	2013	2012
Bulk Electricity	82,079,142	88,719,194
Bulk Water	15,138,279	25,295,741
PAYE deductions	4,938,851	3,802,608
VAT (Output less Input)	70,831,889	68,725,141
Pensions/retirement deductions	6,232,127	5,391,037
Loan Repayments	3,290,137	2,473,547
Trade Creditors	280,584,553	215,786,777
<b>Total</b>	<b>463,094,978</b>	<b>410,194,045</b>

This age-analysis will balance back to the total of note 17 plus VAT on the statement of financial position.

### 18. Other financial liabilities

#### At amortised cost

Bank loan( Non Current)	344,697,334	177,131,998
Bank loan( Current)	21,945,264	17,961,031
	<b>366,642,598</b>	<b>195,093,029</b>

<b>Total other financial liabilities</b>	<b>366,642,598</b>	<b>195,093,029</b>
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Mogale City sourced financing of the infrastructure capital projects amounting to R190,994,208 from Nedbank during the year under review, included in the closing balance of R366,642,598 is the long term borrowing from the previous years sourced from various banks namely ABSA,DBSA,FNB.

#### Non-current liabilities

At amortised cost	344,697,334	177,131,998
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#### Current liabilities

At amortised cost	21,945,264	17,961,031
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### 19. Sundry deposits

Services deposits	9,278,847	8,551,654
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Sundry deposits consists of hall, kerb, builder's water and key deposits.

### 20. VAT payable (SARS)

VAT payables	70,831,889	68,725,141
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VAT is payable on the receipt basis. When payment is received from debtors the municipality pay VAT over to SARS. All VAT returns have been submitted by due date throughout the Financial year.



## Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

### Notes to the Annual Financial Statements

Figures in Rand	2013	2012
-----------------	------	------

#### 21. Consumer deposits

Electricity and water	39,458,450	35,997,439
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The above deposits represent Electricity & Water deposits as the current tariff structure do not permit individual deposit verification

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
-----------------	------	------

### 22. Financial liabilities by category

#### 2013

	Financial liabilities at amortised cost	Total
Other current financial liabilities( refer to note 18)	21,945,264	21,945,264
Trade and other payables(refer to note 17)	392,219,655	392,219,655
Other non current financial liabilities(refer to note 18 )	344,697,334	344,697,334
Consumer deposits(refer to note 21)	39,458,450	39,458,450
Sundry deposits(refer to note 19)	9,278,847	9,278,847
Unspent conditional grants and receipts(refer to note 15)	8,447,169	8,447,169
	<b>816,046,719</b>	<b>816,046,719</b>

#### 2012

	Financial liabilities at amortised cost	Total
Other current financial liabilities(refer to note 18)	17,961,031	17,961,031
Trade and other payables(refer to note 17)	341,468,904	341,468,904
Other non current financial liabilities(refer to note 18)	177,131,998	177,131,998
Consumer deposits(refer to note 21)	35,997,439	35,997,439
Sundry deposits(refer to note 19)	8,551,654	8,551,654
Unspent conditional grants and receipts (refer to note 15)	13,874,101	13,874,101
	<b>594,985,127</b>	<b>594,985,127</b>

### 23. Revenue

Service charges	1,068,152,668	951,363,075
Rental of facilities and equipment	2,820,595	3,148,630
Interest received - Outstanding debtors	10,348,995	10,202,152
Income from agency services	24,950,345	18,999,141
Licences and permits	16,743	23,129
Other income	75,490,348	209,848,988
Interest received - investment	13,598,049	4,716,966
Dividends received	-	12,688
Property rates	272,542,224	247,752,947
Property rates - penalties imposed	20,863,421	12,747,000
Government grants & subsidies	350,187,328	298,564,361
Fines	10,486,829	11,035,560
	<b>1,849,457,545</b>	<b>1,768,414,637</b>

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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### 23. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	1,068,152,668	951,363,075
Rental of facilities and equipment	2,820,595	3,148,630
Interest received - Outstanding debtors	10,348,995	10,202,152
Income from agency services	24,950,345	18,999,141
Licences and permits	16,743	23,129
Other income	75,490,348	209,848,988
Interest received - investment	13,598,049	4,716,966
Dividends received	-	12,688
	<b>1,195,377,743</b>	<b>1,198,314,769</b>

The amount included in revenue arising from non-exchange transactions is as follows:

#### Taxation revenue

Property rates	272,542,224	247,752,947
Property rates - penalties imposed	20,863,421	12,747,000

#### Transfer revenue

Government grants & subsidies	350,187,328	298,564,361
Fines	10,486,829	11,035,560
	<b>654,079,802</b>	<b>570,099,868</b>

### 24. Property rates

#### Rates received

Residential	295,309,541	261,088,051
Commercial	123,875,297	115,101,188
Small holdings and farms	18,582,390	16,433,532
Less: Income forgone	(165,225,004)	(144,869,824)
	272,542,224	247,752,947
Property rates - penalties imposed	20,863,421	12,747,000
	<b>293,405,645</b>	<b>260,499,947</b>

### 25. Service charges

Service charges	22,928,414	20,990,204
Sale of electricity	695,820,945	619,676,357
Sale of water	164,253,527	148,393,005
Sewerage and sanitation charges	94,006,514	85,741,066
Refuse removal	91,130,668	76,556,264
Other service charges	12,600	6,179
	<b>1,068,152,668</b>	<b>951,363,075</b>

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>26. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	210,116,999	186,224,000
Expanded public works programme	1,999,575	385,877
WRDM grant	2,289,711	1,787,806
Bontle ke botho	503,104	194,423
Seta training grants	1,295,258	1,759,229
SRAC grants	3,705,677	4,244,748
MSIG	1,000,000	800,000
GDSD	16,669,343	17,160,378
FMG grant	1,250,000	1,250,000
DLGH: Aloe cap project	1,653,000	-
	<b>240,482,667</b>	<b>213,806,461</b>
<b>Capital grants</b>		
Provincial health subsidies	1,531,290	2,897,353
MIG grant	97,313,451	80,957,000
WRDM grant	900,000	-
Bontle ke botho grant	95,280	-
SRAC grants	1,864,640	903,547
Department of mineral and energy	8,000,000	-
	<b>109,704,661</b>	<b>84,757,900</b>
	<b>350,187,328</b>	<b>298,564,361</b>

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of based on indigent management policy, which is funded from the grant.

### MIG grant

Current-year receipts	98,206,000	80,957,000
Conditions met - transferred to revenue	(97,313,452)	(80,957,000)
	<b>892,548</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 15)

The grant is used for specific infrastructure projects in Mogale City.

### Department of human settlement grant

Balance unspent at beginning of year	2,295,011	2,295,011
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Conditions still to be met - remain liabilities (see note 15)

This grant is administered on behalf of the department of human settlement for the erection of RDP houses.

### SRAC grant

Balance unspent at beginning of year	800,317	548,613
Current-year receipts	4,770,000	5,399,999
Conditions met - transferred to revenue	(5,570,317)	(5,148,295)
	<b>-</b>	<b>800,317</b>

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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### 26. Levies (continued)

Conditions still to be met - remain liabilities (see note 15)

The grant is utilised for the libraries and sports facilities around Mogale City.

#### DWAF

Balance unspent at beginning of year	1,531,290	2,428,642
Current-year receipts	-	2,000,001
Conditions met - transferred to revenue	(1,531,290)	(2,897,353)
	<b>-</b>	<b>1,531,290</b>

Conditions still to be met - remain liabilities (see note 15)

The grant is used to refurbish the water care works in Mogale City and demand water management strategy.

#### GDSD grant

Balance unspent at beginning of year	1,172,407	3,332,784
Current-year receipts	15,500,000	15,000,001
Conditions met - transferred to revenue	(16,669,343)	(17,160,378)
	<b>3,064</b>	<b>1,172,407</b>

Conditions still to be met - remain liabilities (see note 15)

The grant is used for the construction of the early childhood development Centre.

#### WRDM grant

Balance unspent at beginning of year	3,524,235	1,396,683
Current-year receipts	1,850,560	3,915,358
Conditions met - transferred to revenue	(3,189,711)	(1,787,806)
	<b>2,185,084</b>	<b>3,524,235</b>

Conditions still to be met - remain liabilities (see note 15)

WRDM funds various activities in the municipality e.g. HIV/AIDS, primary health care, programmes for the youth, elderly, disabled etc.

#### Bontle ke botho grant

Balance unspent at beginning of year	571,534	285,956
Current-year receipts	490,000	480,001
Conditions met - transferred to revenue	(598,384)	(194,423)
	<b>463,150</b>	<b>571,534</b>

Conditions still to be met - remain liabilities (see note 15)

Bontle ke Botho is prize money received for the greater Krugersdorp town and various wards for environmental awareness and will be spent in the following year.

#### Expanded public works programme

Balance unspent at beginning of year	893,123	124,000
Current-year receipts	2,085,000	1,155,000

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>26. Levies (continued)</b>		
Conditions met - transferred to revenue	(1,999,575)	(385,877)
	<b>978,548</b>	<b>893,123</b>

Conditions still to be met - remain liabilities (see note 15)

As per the national government initiative this grant is utilised for labour intensive program.

### Seta training grants

Balance unspent at beginning of year	886,184	25,858
Current-year receipts	1,491,839	2,619,555
Conditions met - transferred to revenue	(1,295,257)	(1,759,229)
	<b>1,082,766</b>	<b>886,184</b>

Conditions still to be met - remain liabilities (see note 15)

The grant is utilised to enhance skills for all employees of the municipality.

### Department of local government: Aloe Cap

Balance unspent at beginning of year	2,200,000	-
Current-year receipts	-	2,200,000
Conditions met - transferred to revenue	(1,653,000)	-
	<b>547,000</b>	<b>2,200,000</b>

Conditions still to be met - remain liabilities (see note 15)

The grant will be utilised for revenue enhancement projects

## 27. Rental of facilities and equipment

<b>Facilities and equipment</b>		
Rental of facilities	2,820,595	3,148,630

## 28. Investment revenue

### Dividend received

Dividends	-	12,688
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### Interest received- external investment

Bank	13,598,049	4,716,966
<b>Total revenue from investments</b>	<b>13,598,049</b>	<b>4,729,654</b>

## 29. Income from agency services

Income from agency services is recognised on a monthly basis once the income collected on behalf of Provincial Department of Transport has been quantified. The income recognised is in terms of the agreement.

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>30. Other income from non- exchange</b>		
Administration fees	473,813	384,005
Advertising	1,419,980	362,012
Application fees	426,381	371,195
Building plan fees	3,566,054	1,857,190
Bulk service connections	8,849,375	3,702,959
Cemetery fees	1,940,374	1,717,677
Contributions roads, storm water pipes	9,328,763	6,898,693
Insurance claims	760,818	1,057,468
Medical aid contributions( Pensioners)	-	1,366,212
Other income	7,293,110	3,831,710
Sale of assets	104,217	4,219,635
Services connections	5,845,977	5,007,466
Unclaimed monies	191,042	6,506
Donation/ Transfers of Assets	35,190,404	156,749,088
Fair value shares	100,040	79,934
Sale of assets non mogale	-	22,237,238
	<b>75,490,348</b>	<b>209,848,988</b>

### 2013

#### Donations/transfer of assets:

Community property to the value of R55,411,191.74(Chief Mogale MPCC) was transferred from Provincial Social development

Game reserve assets to the value of R1,021,212.79

### 2012

Other income increased as a result of the donations/ transfers of assets to the municipality and the treatment has been done according to GRAP 23:

Transfers of Cradle of Humankind assets were as a result of demarcation of District Management Areas to Mogale City to the value of R 18,314,565

Capital Spares to the value of R7,732,388

Lanwen hostel donated to Mogale City to the value of R 36,852,981

Krugersdorp Game Reserve buildings was transferred to Mogale City at a value of R 89,002,061.

Buildings to the value of R 1, 000,000 was donated to Mogale City by the South African breweries.

Biological assets transferred to Mogale City at a value of R3,395,876

Krugersdorp Game Reserve moveable assets transferred to Mogale City at a value of R 190,217

Krugersdorp Game Reserve animals PPE transferred to Mogale City at a value of R 261,000

The future economic benefits or service potential will flow to Mogale City due to income derived from gate takings, rental of facilities for events and accommodation.

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>31. Employee related costs</b>		
Basic	273,432,359	244,882,350
Bonus	21,899,679	19,316,159
Medical aid - company contributions	17,492,068	13,435,464
UIF	2,372,402	2,041,177
SDL	119,486	80,573
Leave payment	3,253,565	7,862,085
Post-employment benefits - Pension - Defined contribution plan	51,157,805	46,968,840
Overtime payments	19,087,068	16,705,917
Long-service awards	112,320	148,565
Acting allowances	1,340,708	1,797,724
Allowance	33,890,214	31,577,173
Housing benefits and allowances	1,762,273	1,773,200
Section 57 Salaries	12,077,146	10,478,276
	<b>437,997,093</b>	<b>397,067,503</b>
<b>Remuneration of Municipal Manager(Mashitisho D.M)</b>		
Annual Remuneration	1,325,866	1,433,960
Car Allowance	144,000	144,000
Performance Bonuses	-	113,393
Contributions to UIF, Medical and Pension Funds	100,488	85,203
	<b>1,570,354</b>	<b>1,776,556</b>
<b>Remuneration of Chief Finance Officer( Mahuma L.M.E)</b>		
Annual Remuneration	958,780	975,216
Car Allowance	240,000	240,000
Performance Bonuses	134,392	111,993
Contributions to UIF, Medical and Pension Funds	86,979	102,992
	<b>1,420,151</b>	<b>1,430,201</b>
<b>Chief Operating Officer(Mbulawa A.)</b>		
Annual Remuneration	1,046,127	662,096
Car Allowance	120,000	34,000
Performance Bonuses	-	78,395
Contributions to UIF, Medical and Pension Funds	116,947	9,939
	<b>1,283,074</b>	<b>784,430</b>
<b>Executive Manager Corporate Support Services(R Mokebe)</b>		
Annual Remuneration	965,875	-
Car Allowance	180,000	-
Performance Bonuses	99,993	-
Contributions to UIF, Medical and Pension Funds	1,784	-
	<b>1,247,653</b>	<b>-</b>
<b>Executive Manager Corporate Support Services (DM Mokoena)</b>		
Annual Remuneration	-	103,166
Car Allowance	-	22,000
Performance Bonuses	-	119,992



# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>31. Employee related costs (continued)</b>		
Contributions to UIF, Medical and Pension Funds	-	258
Leave Resignation	-	351,757
	-	<b>597,173</b>
<b>Executive Manager Infrastructure Management(MD Mokotedi)</b>		
Annual Remuneration	1,050,000	880,000
Car Allowance	240,000	220,000
Performance Bonuses	99,993	99,900
Contributions to UIF, Medical and Pension Funds	11,603	72,724
	<b>1,401,597</b>	<b>1,272,623</b>
<b>Executive Manager Political Office(MT Selebi)</b>		
Annual Remuneration	-	612,858
Car Allowance	-	140,625
Performance Bonuses	-	1,160
Contributions to UIF, Medical and Pension Funds	-	45,964
	-	<b>800,608</b>
<b>Executive Manager Integrated Enviromental Management(MN Mokoena)</b>		
Annual Remuneration	990,127	873,800
Car Allowance	85,088	71,012
Performance Bonuses	69,995	139,991
Contributions to UIF, Medical and Pension Funds	77,044	149,239
Leave Selling	275,010	-
	<b>1,497,264</b>	<b>1,234,042</b>
<b>Executive Manager Economic Services(MM Thelejane)</b>		
Annual Remuneration	849,728	781,598
Car Allowance	120,000	120,000
Performance Bonuses	99,993	119,992
Contributions to UIF, Medical and Pension Funds	174,950	161,218
	<b>1,244,671</b>	<b>1,182,808</b>
<b>Executive Manager Political Office (LR Seoposengwe)</b>		
Annual Remuneration	923,386	-
Car Allowance	120,000	-
Contributions to UIF, Medical and Pension Funds	98,996	-
	<b>1,142,382</b>	-
<b>Executive Manager Community Services(S Mathebula)</b>		
Annual Remuneration	854,770	848,781
Car Allowance	187,500	187,500
Performance Bonuses	181,357	139,991
Contributions to UIF, Medical and Pension Funds	46,376	223,564
	<b>1,270,002</b>	<b>1,399,835</b>

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand

2013

2012

### 31. Employee related costs (continued)

Salaries, allowance and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution.

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>32. Remuneration of councillors</b>		
Executive Mayor	759,494	713,667
Mayoral Committee Members	5,753,045	5,457,472
Speaker	560,987	532,611
Councillors	7,141,694	6,596,053
Councillors' pension contribution	4,803,847	4,654,405
	<b>19,019,067</b>	<b>17,954,208</b>

### In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.

The Executive Mayor has four full-time bodyguards.

### 33. Depreciation and amortisation

Intangible assets	2,385,665	2,005,456
Property, plant and equipment	238,656,640	202,093,039
	<b>241,042,305</b>	<b>204,098,495</b>

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>34. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	-	6,556,586
Intangible assets	(981,900)	-
Impairment of LIMMS System		
	<b>(981,900)</b>	<b>6,556,586</b>
<b>Reversal of impairments</b>		
Property, plant and equipment	1,344,000	-
During 2011/ 2012 financial year Mogale City impaired Lewisham Tennis Court because it was damaged ,thereafter the Tennis court was refurbished.		
<b>Total impairment losses (recognised) reversed</b>	<b>362,100</b>	<b>6,556,586</b>

The main classes of assets affected by impairment losses are:

In 2013 financial year Mogale City has impaired LIMMS system to the value of R 981,899.92

In 2012 the following assets were impaired to the value of R6,556,586:

Buildings: The buildings were not used for the intended purpose as some halls were used for residential purposes, private dwellings built on the wrong site and vandalised building on plot 265.

Electricity: Theft of of substations in various parts of the municipality

Community Assets: Squatter invasion in parks around Mogale City.

Roads: Road base failure in Feartherbrooke and some roads in Mogale City which are not being used.

Water and sanitation: theft and vandalism at boiketlo pump station and some of sewer reticulation not being used.

Investment Property: Squatter invasion on stand 489, Nooitgedacht

## 35. Finance costs

Bank	45,072,281	45,285,417
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Interest paid is mainly made up of long term borrowings from the Development Bank of Southern Africa, ABSA, FNB, Nedbank and interest costs for Post employment medical benefits and long services awards.

## 36. Contracted services

Information Technology Services	11,787,044	17,222,853
Fleet Services	19,963,780	24,306,928
Rental and communication services	35,135,119	31,509,006
Specialist Services	4,041,350	3,134,333
Other Contractors (Security services, lease office equipment, rental water tanks and rental chemical toilet, refuse removal Tedcor and system support)	95,971,217	70,513,287
	<b>166,898,510</b>	<b>146,686,407</b>

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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### 37. Grants and subsidies paid

#### Other subsidies

Grants other	2,119,755	707,996
Basic services	29,960,802	18,577,548
Grants: in aid	314,882	531,966
Grants discretionary	114,441	75,668
	<b>32,509,880</b>	<b>19,893,178</b>

### 38. Bulk purchases

Electricity	449,252,578	405,596,024
Water	154,710,943	132,698,110
Sewer purification	3,088,594	2,640,827
	<b>607,052,115</b>	<b>540,934,961</b>

#### Electricity Losses

During the year under consideration MCLM had unaccounted electricity of 7.45% 53,116,316.96 kwh (5.78 %: 2012, 42,710,274 kwh ). The total rand value of these losses were R 24,066,635 (R 25,252, 558 : 2012) .The inherent distribution losses of an electricity distribution system(technical losses)can be anything between (6.5% and 10%) depending on the magnitude of the electricity distribution and whether the distribution system is based on latest engineering technology and practice or does it consist of the very old engineering practice of 30-50 years ago like many of the older municipal distribution systems.The electricity tariffs are structured in such a manner that it makes provision for the recovery of technical system losses.This is a prerequisite from the National Electricity Regulator before they can approve any electricity tariffs. The NER Bench mark for system losses is 10% and the Financial Bench Mark (tolerable range) is between 5-12%.

#### Water Losses

During the year under consideration MCLM had unaccounted water of 33%, 11,858,770.23 kl (31%: 2012, 10,491,085.34 kl). The total rand value of these losses were R 59,487,954.41 (R 47,314,794 : 2012).This was mainly due to faulty prepaid meters,straight pipes in some areas and leakages.

### 39. Debt impairment

Contributions to debt impairment provision	28,532,791	82,208,112
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Contribution to debt impairment provision is the movement of all debtors that are to be provided for. Refer to note 11 for reconciliation.

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>40. General expenses</b>		
Advertising	987,162	1,014,755
Assessment rates & municipal charges	28,670,828	26,416,489
Audit committee remuneration	136,290	144,885
Bank charges	1,133,124	1,772,889
Internet fees	45,443	541,025
Settlement and legal fees	11,062,899	7,618,398
Consumables	537,214	400,538
Entertainment	25,038	125,405
Gifts	7,881	7,181
Insurance	2,605,134	1,211,990
Bursary scheme/External	971,000	889,000
Conferences and seminars	297,305	119,900
Fleet	62,551	85,769
Horticulture	1,920,324	1,658,269
Magazines, books and periodicals	142,013	101,723
Pest control	57,913	32,037
Fuel and oil	12,418,149	12,599,311
Postage and courier	3,316,095	3,195,623
Printing and stationery	2,010,656	2,533,363
Safety equipments/Protective clothing	210,953	168,735
Special Projects	9,090,697	6,819,527
License fees	2,390,821	6,078,496
Refreshments general & meetings	517,878	502,701
Subscriptions and membership fees	3,950,898	2,975,514
Telephone and faxes	10,130,926	14,972,197
Transport pool vehicles	-	332,507
Training	1,156,744	1,633,578
Travel - local	612,905	1,077,845
Travel - overseas	56,138	75,110
Purchases for consumption	5,045,445	3,892,642
Skills levy	3,557,190	3,226,463
Contribution leave provision	1,116,611	900,995
Other expenses(oil & fuel,Fair value adjustment and assets written off)	121,099,952	66,341,237
	<b>225,344,177</b>	<b>169,466,097</b>
<b>41. Cash generated from operations</b>		
(Deficit) surplus	(53,611,861)	49,233,068
<b>Adjustments for:</b>		
Depreciation and amortisation	241,042,305	204,098,495
Impairment	(362,100)	6,556,586
Debt impairment	28,532,791	82,208,112
Movements in operating lease assets and accruals	(525,915)	684,164
Movements in retirement benefit assets and liabilities	13,233,248	18,871,827
Movements in provisions	10,997,852	8,152,013
Actuarial gains/losses	8,498,251	6,210,845
Other non-cash items	10,422,239	(158,366,269)
Movement on Finance lease	(5,516,095)	6,896,417
<b>Changes in working capital:</b>		
Inventories	366,608	5,562,354
Other receivables from exchange transactions	(931,563)	(18,240,964)
Consumer debtors	(117,902,906)	(93,020,658)
Payables from exchange transactions	50,794,185	43,588,339
VAT	2,106,748	4,879,873
Unspent conditional grants and receipts	(5,426,932)	3,436,555
Consumer deposits	3,461,011	2,703,126

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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### 41. Cash generated from operations (continued)

185,177,866	173,453,883
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### 42. Commitments

#### Authorised capital expenditure

##### Already contracted for

• Infrastructure	10,853,080	792,694
• Community	892,583	1,172,406
• Other	259,076	59,263
	<b>12,004,739</b>	<b>2,024,363</b>

This committed expenditure relates to plant and equipment and will be financed by available borrowing R8668,003, National Government Grants R892,593, Provincial Government Grants R 259,079 and District Council Grants R 2,185,067.

#### Operating leases - as lessee (expense)

##### Minimum lease payments due

- within one year	15,077,483	41,171,575
- in second to fifth year inclusive	2,022,149	6,700,863
	<b>17,099,632</b>	<b>47,872,438</b>

Operating lease payments represent rentals payable by the municipality for certain of its office, trucks, motor vehicles, cellphones and 3G cards and photocopy machine. Leases are negotiated for an average term of 36-120 months. Most of the rentals in terms of these operating lease arrangements are fixed while some rentals escalate on average by 10% or prime lending rate. No restrictions have been imposed on the municipality in terms of the operating lease agreements. No contingent rent is payable.

#### Operating leases - as lessor (income)

##### Minimum lease payments due

- within one year	835,041	1,088,619
- in second to fifth year inclusive	1,411,971	1,906,644
- later than five years	235,868	391,880
	<b>2,482,880</b>	<b>3,387,143</b>

Certain of the municipality's property is held to generate rental income. Lease agreements have terms from 6 to 25 years. the rental escalates at 10% on average. There are no contingent rents receivable.

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>43. Contingencies Liabilities</b>		
<b>Outstanding Legal Matters</b>		
<b>Category A</b>		
<b>Motheo Group</b>	0	1,600,000
Suing MCLM for damages suffered as a result of cancellation of contract.		
<b>Mathe Contruccion</b>	5,500,000	5,500,000
The applicants were contracted by the municipality to construct low costing houses. The agreement was cancelled by the Municipality after the withdrawal of funding by the Provincial Housing Department. The applicant is suing the Municipality for damages suffered as a result of the cancellation of the contract.		
<b>T.Chauke</b>	0	150,000
<b>Lektratek (Pty) Ltd</b>	5,000,000	5,000,000
Alleges serious flaws with the awarding of tender and that it should have been awarded to him.		
<b>V. Venter</b>	22,000	22,000
Traffic Vehicle of municipality collided with the plaintiff's vehicle and he is claiming for damages		
<b>Chabano Trading Consultant</b>	1,167,770	1,167,770
The plaintiff alleges that the municipality has unlawfully terminated the contract.		
<b>Red Ants</b>	0	569,000
The plaintiff claims alleges that they have rendered services for cleaning the city and they have not been paid as at year end.		
<b>Albert Stanford</b>	0	2,000,000
Plaintiff claims for injury caused when he fell in a storm water drainage		
<b>Thembi Sheila Hlwatswayo</b>	800,000	800,000
Loss of income as result of husband's death caused by tree that fell on her husband motor vehicle.		
<b>Francois Jacobs van Staden</b>	38,423	0
The plaintiff instituted a claim against the Municipality as he result of damages he suffered after falling into a pot hole with his motor cycle.		
100% as the responsibility for the upkeep of the road lies with the MEC		
<b>National Fund for Municipal Workers</b>	954,105	0
The plaintiff instituted a claim against the Municipality as a result of employees who moved from NFW to Discovery Scheme without consent of NFW		
There are no prospects of success and the matter is to be settled.		
<b>M.E.Maluleke</b>	56,045	0
The Plaintiff instituted a claim for injuries against the Municipality as she fell into a storm water hole.		
<b>Charles Deetlefs</b>	80,872	0
Reimbursements for the moneys paid to the Municipality for rates and taxes by the transferring attorneys.		
Removed from the roll and file is currently missing our attorneys to construct a file to be placed back on the roll and cause it to be dismissed.		
<b>Jonathan T Mfelang</b>	481,000	0
The Plaintiff alleges that the Municipality has neglected to maintain a manhole and as a result he fell into that manhole and		



# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>43. Contingencies Liabilities (continued)</b>		
sustained injuries.		
<b>N Wesele</b>	350,000	0
The Plaintiff alleges that the Municipality has neglected to maintain a manhole and as a result he fell into that manhole and sustained injuries.		
<b>Khalipha Entertainment</b>	2000,000	0
MCLM sued service provider for falling to give proper account of the jazz and payments made in terms of the contract and Khalipha made a counter claim against MCLM of the same amount.		
<b>Subtotal</b>	<b>16,450,215</b>	<b>16,808,770</b>
<b>Category B</b>		
<b>Labour matters</b>		
<b>DEPUTY DIRECTORS</b>	1,850,000	1,850,000
1) S.Mokgatla		
2) L.Tshoane		
3) N.Mabunda		
4) A.Maswanganyi		
5) J.Mathye		
6) J Nkhumane		
The former deputy directors allege unfair termination of the contract of employment in that their contracts should have been made permanent		
<b>S.Kuane</b>	74,000	74,000
Unfair Labour Practise based on placement matter at labour Court.		
<b>M. Motale</b>	0	70,000
Appeal of disciplinary case against		
<b>Murray &amp; Ors</b>	3,000,000	3,000,000
The employee alleges that they did not receive notches 168 Employees		
Matter is still pending settlement negotiations underway and provision of additional information from finance and IMATU.		
<b>Colbert Mphaphudi</b>	328,200	0
Unfair Labour Practise.		
<b>Victor Tafu</b>	480,753	0
The employee alleges that he was unfairly dismissed		
<b>Subtotal</b>	<b>5,732,953</b>	<b>5,024,000</b>
<b>Total</b>	<b>22,183,168</b>	<b>21,482,770</b>

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand

2013

2012

### 43. Contingencies Liabilities (continued)

#### Contingent assets

#### 2013

##### Khalipha Entertainment

MCLM sued service provider who organised jazz festival and failed to give proper accounts and make payments in terms of the contract. The amount to be paid is R1,800,000.00

##### Willturnkey Construction

MCLM erroneously overpaid the money to Willturnkey, The amount to be paid is R317,000

#### 2012

##### Die Bustuurderkommitte van die Jubilado Afttreeoord

Subsequent to the billing of property rates, the municipality is suing the client for the arrears monies for non payment. The amount to be paid is R 50,000

##### Homeveld Homes (Pty) Ltd

The asset is under the control of the Municipality however, Homeveld Homes (Pty) Ltd fraudulently registered the asset under their name. There is a court case pending. The amount of the building concerned is R 33, 094, 933

### 44. Related parties

#### Relationships

Accounting Officers

Members of key management

Mr D.M Mashitisho

Mr L.M.E Mahuma

Ms S. Mathebula

Mrs R. Mokebe

Mr B. Seopasengwe

Ms M. Mokoena

Ms M. Thelejane

Mr D. Mokotedi

Mr A. Mbulawa

Transactions relating to key management personnel are disclosed in note 31 and have been accounted for according to IPSAS 20

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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### 45. Prior year adjustments

#### Change in accounting policy

##### Heritage assets

Heritage assets were separated from the Property Plant and equipments as per GRAP 103 requirements.

#### Correction of errors

##### 1.VAT Adjustment

Correction of Incorrect output VAT declared on commission withheld from Department of Transport payments and correction of VAT erroneously calculated on attorneys invoices.

##### 2.Luipaardvlei Landfill Site erroneously processed

Correction of expenditure relating to the luipaardvlei landfill site that was incorrectly processed to the consultant fee vote. Consultant fees form part of the total project.

##### 3.Post Employment Medical benefit

In valuing the 30 June 2012 post-employment medical aid subsidy liability, a number of employees, who were not members of a medical scheme, but were eligible for the subsidy should they join a scheme before retirement, were inadvertently omitted from the calculations. This understated the liability as at 30 June 2012.

##### 4. Transfer of expenditure to correct WIP numbers

Expenditure in respect of kenmare resevoirs reseal for water tightness,Kenmare pump Station and Lenway bulk water pipeline replacement erroneously processed to water demand and conservation .

##### 5. Reduction and increase of retention values and cancellation of invoice

Due to over expenditure of the the contract value,Tecroveer and Ron /Pro-plan reduced the value of work done resulting in a decrease of retention held.Increase of the total work done as retention was incorrectly raised for Ultrasonic Express and not raised for Millenium Pumps.Cancellation of invoice for Pro-plan captured twice.

##### 6. Employee related costs notes

Changes made to correct GFS item code between BIQ Financial System and Caseware Reporting tool.

##### 7.Changes on the notes

Correction of mapping on the employee related cost note,leave payments was moved from basic salary and acting allowance unmapped from allowances to acting allowance.

Acting allowance,grants and subsidies and special projects were incorrectly mapped.

##### 8.Removal of duplicated land

Saleable land removed from inventory because it was already included in the asset register.

##### 9.Property,plant and equipment

The landfill site , has been capitalised as part of the additions in 2012.

The Krugersdorp Game Reserve building (4x4 lapa) was added to the 2012 additions on 1 July 2011.

Incorrect water meter and connection information was removed from the FAR and correct revised information was added to the FAR and annual review of depreciation due to Infrastructure assets fully depreciated and still in use.

Incorrect sanitation connection information was removed from the FAR and correct revised information was added to the FAR.

Rangeview Ext 4 Reservoir was a correction to the opening balance of 2012 because it became available for use before 2012.

##### 10. Leave Provision

Leeve provision was adjusted because of the leave forms that related to the prior year but only submitted during the current

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand

2013

2012

**45. Prior year adjustments (continued)**  
year.

### **11.Reclassification**

Reclassification of library books to heritage.

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand

2013

2012

### 45. Prior year adjustments (continued)

The correction of the error(s) results in adjustments as follows:

2011				
As previously reported	Corrections	Reclassification	Restated	
Statement of Financial Performance				
Revenue:				
Property rates	217,375,414	-	-	217,375,414
Property rates - penalties imposed	12,225,618	-	-	12,225,618
Service Charges	790,204,861	-	-	790,204,861
Government grants & subsidies	260,806,280	1,874,190	-	262,680,470
Rental of facilities and equipment	7,738,915	-	-	7,738,915
Interest received - investments	7,443,563	-2,925,502	-	4,518,061
Dividends received	11,224	-	-	11,224
Interest received - Outstanding debtors	7,547,349	-	-	7,547,349
Fines	13,159,396	-	-	13,159,396
Licence and Permits	30,891	-	-	30,891
Income from agency services	14,878,605	1,047,519	-	15,926,124
Other income	93,263,489	-6,472,105	-	86,791,384
Total revenue	1,424,685,605	-6,475,898	-	1,418,209,707
Expenditure:				
Employee related costs	373,286,626		-15,918	373,270,708
Remuneration of Councillors	16,313,074			16,313,074
Depreciation and amortisation	209,307,267	15,415,047		224,722,314
Impairment of assets	-	-	4,738,270	4,738,270
Finance costs	33,209,415			33,209,415
Contracted services	76,831,970		45,652,974	122,484,944
Grants and subsidies paid	4,739,136	1,745,313		6,484,449
Bulk purchases	437,900,851	2,496,606		440,397,457
Debt impairment	48,032,071	-	-	48,032,071
Collection costs	4,053,417	11,968,350	-	16,021,767
Repairs and maintenance	88,692,792	-442,445		88,250,347
General expenses	192,039,751		-62,322,213	129,717,538
Total expenditure	1,484,406,370	31,182,871	-11,946,887	1,503,642,354
Surplus for the year	-59,720,765	-37,658,769	11,946,887	-85,432,647
Statement of Financial Position				
Current Assets				
Inventories	17,092,208	-	-	17,092,208
Other receivables from exchange transactions	26,043,224	-	-	26,043,224
Consumer debtors	293,846,200	-	-	293,846,200
Cash and cash equivalents	39,906,264	-	-	39,906,264
Operating lease asset	361,893	-	-	361,893
Total current assets	377,249,789	-	-	377,249,789
Non-current assets	-			
Investment property	693,581,994	-98,927,105	-	594,654,889
Property, plant and equipment	4,661,303,672	251,296,985	-	4,912,600,657
Intangible assets	6,226,216	-	-	6,226,216
Heritage assets	-	-	-	-
Other financial assets	38,893,698	-2,925,503	-	35,968,195
Total non-current assets	5,400,005,580	149,444,377	-	5,549,449,957
Current liabilities	-			
Retirement benefit obligation	7,701,821	-	-	7,701,821
Bank Overdraft	570,602	-	-	570,602
Finance lease obligation	3,847,688	-	-	3,847,688

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand		2013		2012
<b>45. Prior year adjustments (continued)</b>				
Unspent conditional grants and receipts	12,311,737	-1,874,191	-	10,437,546
Provisions	60,194,928	-	-48,564,934	11,629,994
Payables from exchange transactions	249,932,818	47,947,748	-	297,880,566
Other financial liabilities	11,158,838	-	-	11,158,838
Sundry deposits	7,593,896	-	-	7,593,896
VAT payable	65,106,591	-1,261,293	-	63,845,298
Consumer deposits	33,294,313	-	-	33,294,313
Total current liabilities	451,713,232	44,812,264	-48,564,934	447,960,562
<b>Non-current liabilities</b>				
Retirement benefit obligation	85,241,263	-	-	85,241,263
Finance lease obligation	10,492,509	-	-	10,492,509
Provisions	46,793,432	-	-	46,793,432
Other financial liabilities	194,539,357	-	-	194,539,357
Total non-current liabilities	337,066,561	-	-	337,066,561
Net Assets	4,988,475,576	157,649,738		5,146,125,314
Accumulated surplus	4,988,475,576	157,649,738		5,146,125,314
Prior Year adjustment		221,372,818		
<b>2012</b>				
<b>Statement of Financial Performance</b>				
<b>Revenue:</b>				
Property rates	247,752,947	-	-	247,752,947
Property rates - penalties imposed	11,724,620	-	-	11,724,620
Service Charges	951,363,075	-	-	951,363,075
Government grants & subsidies	298,564,361	-	-	298,564,361
Rental of facilities and equipment	3,148,630	-	-	3,148,630
Interest received - investments	4,716,966	-	-	4,716,966
Dividends received	12,688	-	-	12,688
Interest received - Outstanding debtors	10,202,152	-	-	10,202,152
Fines	11,035,560	-	-	11,035,560
Licence and Permits	23,129	-	-	23,129
Income from agency services	19,075,486	-76,345		18,999,141
Other income	210,871,368			210,871,368
Total revenue	1,768,490,982	-76,345	-	1,768,414,637
<b>Expenditure:</b>				
Employee related costs	397,067,503	-	-	397,067,503
Remuneration of Councillors	17,954,208	-	-	17,954,208
Depreciation and armotisation	236,930,113	-26,275,032	-	210,655,081
Finance costs	45,285,417	-	-	45,285,417
Contracted services	147,169,476	-483,069	-	146,686,407
Grants and subsidies paid	19,893,178	-	-	19,893,178
Bulk purchases	540,934,961	-	-	540,934,961
Debt impairment	82,208,112	-	-	82,208,112
Collection costs	26,478,406	-	-	26,478,406
Repairs and maintenance	62,552,199	-	-	62,552,199
General expenses	160,557,863	8,908,234		169,466,097
Total expenditure	1,737,031,436	-17,849,867	-	1,719,181,569
Surplus for the year	31,459,546	17,773,522	-	49,233,068
<b>Statement of Finacial Position</b>				
<b>Current Assets</b>				
Inventories	12,042,854	-513,000	-	11,529,854
Other receivables from exchange transactions	44,284,188	-	-	44,284,188
Consumer debtors	304,658,746	-	-	304,658,746

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand		2013		2012
45. Prior year adjustments (continued)				
Cash and cash equivalents	43,775,288	-	-	43,775,288
Operating lease asset	398,477	-	-	398,477
Total current assets	405,159,553	-513,000	-	404,646,553
Non-current assets				
Investment property	568,269,299	-	-	568,269,299
Property, plant and equipment	5,009,345,243	122,384,396	-	5,131,729,639
Intangible assets	4,220,761	-	-	4,220,761
Heritage assets	-	-	512,536	512,536
Other financial assets	38,243,570	-	-	38,243,570
Biological assets	3,395,876	-	-	3,395,876
Total non-current assets	5,623,474,749	122,384,396	512,536	5,746,371,681
Current liabilities				
Retirement benefit obligation	7,828,856	-	-	7,828,856
Finance lease obligation	9,215,743	-	-	9,215,743
Unspent conditional grants and receipts	13,874,101	-	-	13,874,101
Provisions	14,146,715	-	-	14,146,715
Payables from exchange transactions	341,903,188	-434,284	-	341,468,904
Other financial liabilities	17,961,031	-	-	17,961,031
Sundry deposits	8,551,654	-	-	8,551,654
VAT payable	68,632,136	93,005	-	68,725,141
Consumer deposits	35,997,439	-	-	35,997,439
Operating lease liability	572,551	-	-	572,551
Total current liabilities	518,683,414	-341,279	-	518,342,135
Non-current liabilities				
Retirement benefit obligation	95,088,897	8,897,158	-	103,986,055
Finance lease obligation	12,020,871	-	-	12,020,871
Provisions	52,428,724	-	-	52,428,724
Other financial liabilities	177,131,998	-	-	177,131,998
Operating lease liability	148,197	-	-	148,197
Total non-current liabilities	336,818,687	8,897,158	-	345,715,845
Net Assets	5,173,132,201	113,315,516	512,536	5,286,960,253
Accumulated surplus	5,173,132,201	113,315,516	512,536	5,286,960,253
Prior Year adjustment		113,828,052		
Statement of Financial Performance				
				-
46. Unauthorised expenditure				
General expenses				- 49,376,502
Less: amounts condoned				- (49,376,502)
				-

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
-----------------	------	------

### 46. Unauthorised expenditure (continued)

#### 2012

General expenses line item has exceeded budget and this was as a result of the non cash items which increased due to the fact that some infrastructure assets were written off and replaced with the ones. Below are the categorised items that have exceeded the budget:

Below are the categorised items that have exceeded the budget:

Debt Impairment: R12,031,763

Depreciation and amortisation : R5,605,082

Assets write off expense account : R25,761,803

Contribution to Bonus, Overtime and Gratuity: R2,673,528

Leave provision: R900,995

WCA Contributions: (R269,736)

Labour Sheets: (R774,513)

Interest on post employment medical and long services awards: R2,908,008

### 47. Irregular expenditure

Opening balance	42,249,024	-
Irregular Expenditure - current year	42,424,197	11,913,491
Irregular expenditure- prior year	-	30,335,533
Less: Expenditure regularised by Council	(79,262,456)	-
<b>Closing balance</b>	<b>5,410,765</b>	<b>42,249,024</b>

#### 2013

During the year under review the municipality has incurred irregular expenditure amounting to R37,013,432 this result from the payments made to the service provider that were deemed irregular expenditure during the previous year. During the Council meeting held on the 30 August 2013 the expenditure amounting to R79,262,456 were regularised.

An amount of R5,410,764.67 was due to non-compliance with the requirements of the SCM and PPPFA. The management has investigated the matter and concluded that the contract was supposed to be reported as deviation. The contract will be reported as deviation to the next council meeting.

#### 2012

During the year under review the municipality has incurred irregular expenditure to the value of R 11,913,491. These are as a result of legacy contracts. The system of identifying irregular expenditures is in a constant state of improvement so that in future all irregular expenditure will be identified and reported on. The municipality will embark on a process of making sure that all the proper procedures pertaining to the SCM process and regulations are followed in future.

Due to non compliance, irregular expenditure to the value of R 30,335,533 was identified. A large portion of these breaches relates mainly to a number of legacy contracts and arrangements awarded in the prior years and a few in the financial year that did not comply with the requirements of SCM policy.

### 48. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Current year subscription / fee	3,863,884	2,913,122
Amount paid - current year	(3,863,884)	(2,913,122)
	-	-

#### Audit fees

Current year subscription / fee	3,326,484	2,696,741
Amount paid - current year	(3,326,484)	(2,696,741)
	-	-

#### PAYE and UIF



# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
-----------------	------	------

### 48. Councillors' arrear consumer accounts (continued)

Opening balance	4,141,427	3,909,561
Current year subscription / fee	61,449,479	56,143,276
Amount paid - current year	(56,101,456)	(52,001,849)
Amount paid - previous years	(4,141,428)	(3,909,561)
	<b>5,348,022</b>	<b>4,141,427</b>

### Pension and Medical Aid Deductions

Opening balance	16,520	11,852
Current year subscription / fee	112,498,922	101,995,969
Amount paid - current year	(112,479,042)	(101,991,301)
	<b>36,400</b>	<b>16,520</b>

### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at June 30, 2013:

June 30, 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Daniel T	-	31,706	31,706
June 30, 2012	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Magodiello C	1,529	-	1,529
Molefi J&M	968	-	968
	<b>2,497</b>	<b>-</b>	<b>2,497</b>

### 49. Biological assets that do not form part of an agricultural activity

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Biological assets	3,616,652	-	3,616,652	3,395,876	-	3,395,876

### Reconciliation of biological assets that do not form part of an agricultural activity - 2013

	Opening balance	Disposals	Transfers	Fair Value adjustments	Total
Biological assets	3,395,876	(754,927)	1,021,213	(45,510)	3,616,652

### Reconciliation of biological assets that do not form part of an agricultural activity - 2012

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
-----------------	------	------

### 49. Biological assets that do not form part of an agricultural activity (continued)

	Opening balance	Transfers	Total
Biological assets	-	3,395,876	3,395,876

#### Details of assets

##### Quantities of each biological asset

177 Wildebeests	327,953	369,796
443 Blesbucks	629,742	681,465
5 Elands	106,210	365,725
1 Emo	983	-
12 Gemsbucks	69,863	68,419
4 Giraffes	73,982	53,341
96 Impalas	156,224	141,309
3 Kudus	25,098	51,796
13 Lions	650,000	350,000
5 Mountain Reedbucks	16,592	-
3 Ostriches	6,350	9,691
214 Hartbees	956,285	595,731
0 Sable	-	383,594
223 Springbucks	367,376	124,075
3 Waterbucks	133,194	105,948
21 Zebras	96,800	94,986
	<b>3,616,652</b>	<b>3,395,876</b>

Biological assets were valued by independent valuer as at the 30 June 2013

### 50. Operating lease asset/Liabilities

Current assets	351,841	398,477
Non-current liabilities	-	(148,197)
Current liabilities	(148,197)	(572,551)
	<b>203,644</b>	<b>(322,271)</b>

### 51. Audit committee remuneration

Fees	136,290	144,885
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### 52. Events after the reporting date

#### 2012

Municipality has exceeded its operating expenditure budget which was mainly contributed by non-cash items as at the 30 June 2012, However council condoned it on **27th September 2012**.

Below are the caterorised items that have exceeded the budget :

Debt imparment : exceeded the budget by R 12,031, 763

Depreciation and amortisation : exceeded budget by R 5, 605, 082

Assets write off expense account: exceeded budget by R 25,761,803

Contributions to Bonus, Overtime and Gratuity exceeded budget by R2,673,528

Leave Provision exceeded budget by R900, 995

WCA Contributions exceeded budget by (R269, 736)

Labour Sheets exceeded budget by (R774, 513)

Interests on post employment medical and long services awards R 2,908,008

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand

2013

2012

### 52. Events after the reporting date (continued)

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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### 53. Fruitless and wasteful expenditure

Eskom & Rand Water	3,860,082	4,214,522
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#### 2013

The municipality incurred fruitless and wasteful expenditure during the year under review from interest levied on late payment to Eskom and Rand Water respectively. The lateness of payment derives from unfavourable payment terms set out in the contracts with the respective organisations.

#### 2012

The municipality incurred fruitless and wasteful expenditure on Eskom and Rand Water Accounts respectively as a result of late payments.

### 54. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	366,642,598	195,093,029
Used to finance property, plant and equipment	-	178,388
	<b>366,642,598</b>	<b>195,271,417</b>

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand

2013

2012

### 55. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand

2013

2012

### 55. Deviation from supply chain management regulations (continued)

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the annual financial statements.

COUNCIL ITEM NR DESCRIPTION	K(ii) 2 (10 /2012) Extension of scope of work on Caseware system - procured by means of a deviation in 2009/10 due to sole provider status
AWARDED TO	CQS Technology Holdings (Pty) Ltd
AMOUNT	R 59 838.60
SECTION	Section 36 (1) (a) (ii) – Sole Provider
COUNCIL ITEM NR DESCRIPTION	K(ii) 2 (10 /2012) Services rendered at the Public meeting organized to address the Tudor Shaft upheavals on 5 August 2012
AWARDED TO	Mbatha Suppliers and Events : Marquee, stage, sound system, chairs, loud-hailing
AMOUNT	R 195 890.00
SECTION	Section 36 (1) (a) (i) - Emergency
COUNCIL ITEM NR DESCRIPTION	K(ii) 2 (10/2012) Renewal of LucidView Proxy server
AWARDED TO	Lucidview (Pty) Ltd
AMOUNT	Refurbishment of LucidView equipment: R 273 857.77
	Licensing of equipment: R 159 307.61
SECTION	Section 36 (1) (a) (ii) – Sole Provider
COUNCIL ITEM NR DESCRIPTION	K(ii) 2 (10/2012) RPG/BIQ system analysis and support for MCLM
AWARDED TO	Comperio Forensic Services (Pty) Ltd
AMOUNT	R 89 877.60 (including VAT and excluding expenses)
SECTION	Section 36 (1) (a) (v) – Exceptional circumstances
COUNCIL ITEM NR DESCRIPTION	K(ii) 3 (01/2013) Purchase and Installation of "Play Detector" at the testing station
AWARDED TO	Workshop Electronics cc
AMOUNT	R 125 970.00
SECTION	Section 36 (1)(a)(ii) – Sole Provider
COUNCIL ITEM NR DESCRIPTION	K(ii) 3 (01/2013) Repair and Renovate the Alcohol Abuse Centre into a Municipal Court Facility at Social Services Department as a matter of urgency.
AWARDED TO	Ultrasonic Express cc
AMOUNT	R 119 757.00
SECTION	Section 36(1)(a)(v) – Impractical to follow normal SCM procedures due to urgency
COUNCIL ITEM NR DESCRIPTION	K(ii) 3 (01/2013) Extension of tender CORP (ADM) 09/2009: Leasing of Digital Photocopiers for a period of five months
AWARDED TO	Nashua West Rand
AMOUNT	R 196 500 (Including VAT) per month
SECTION	Section 36 (1)(a)(v)
COUNCIL ITEM NR DESCRIPTION	K(ii) 3 (01/2013) Support and maintenance of the BIQ financial system, provide technical advice and conduct technical skills transfer

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand		2013	2012
<b>55. Deviation from supply chain management regulations (continued)</b>			
AWARDED TO	Comperio Forensic Services (Pty) Ltd		
AMOUNT	Total for 8 month period R 719 148.48		
SECTION	Section 36 (1)(a)(v)		
COUNCIL ITEM NR	K(ii) 3 (01/2013)		
DESCRIPTION	BIQ System Analysis and Support: Payment for additional work performed on the BIQ system due to unauthorized upgrade of the system performed by Quill Associates on 5 October 2012		
AWARDED TO	Comperio Forensic Services (Pty) Ltd		
AMOUNT	R 407 020.22		
SECTION	Section 36(1)(a)(v) – Impractical to follow normal SCM procedures due to urgency		
COUNCIL ITEM NR	K(ii) 3 (01/2013)		
DESCRIPTION	Appointment of legal and forensic auditors to carry out forensic audits within the municipality by direction of the Executive Mayor		
AWARDED TO	Emang Basadi Legal and Forensic Services (Pty) Ltd		
AMOUNT	R 952 040.00		
SECTION	Section 36(1)(a)(v) – Impractical to follow normal SCM procedures due to urgency		
COUNCIL ITEM NR	K(ii) 3 (01/2013)		
DESCRIPTION	Appointment of a television production company subcontracted by DSTV Mnet Channel to supply them with content for season 3 of Africa Facts		
AWARDED TO	Lebapi Productions		
AMOUNT	R 72 333.00		
SECTION	Section 36 (1)(a)(ii) – Sole Provider		
COUNCIL ITEM NR	K(ii) 2 (04/2013)		
DESCRIPTION	Installation of specialized multi-purpose indoor floor at Munsieville Sports Hub		
AWARDED TO	Fintrex Sports Surfaces (Pty) Ltd		
AMOUNT	R 691 084.87		
SECTION	Section 36 (1)(a)(v) – impossible to follow normal supply chain process		
COUNCIL ITEM NR	K(ii) 2 (04/2013)		
DESCRIPTION	Appointment of an Experienced service provider for the providing of interim management services in the Krugersdorp Game Reserve		
AWARDED TO	Red Ant Security Services (Pty) Ltd		
AMOUNT	R 125 000 per month – until new tender process is finalized.		
SECTION	Section 36 (1)(a)(v) - impractical to follow normal supply chain process		
COUNCIL ITEM NR	K(ii) 2 (04/2013)		
DESCRIPTION	Extension of appointment of service provider for the Maintenance and Upgrading of the Telephone Infrastructure to all municipal offices for a period of 7 months from 12 November 2012 to 11 June 2013		
AWARDED TO	Brilliantel		
AMOUNT	Approx expenditure per month R 900 000 For a period of 7 months R 6.3m		
SECTION	Section 36 (1)(a)(v): Impossible to follow normal SCM process		
COUNCIL ITEM NR	K(ii) 2 (04/2013)		
DESCRIPTION	Resource Acquisition for roll-out of October/November 2012 IDP and Budget Public Participation Process		
AWARDED TO	Maimane Construction and Projects CC: Chairs, marquee, toilets, tables and PA system Lenthatile Events and Marketing cc: Posters Thaku Thaku Transport cc: Buses		
AMOUNT	R 199 500.00 + R 59 925.00 + R 78 432.00		
SECTION	Section 36 (1)(a)(v): Impossible to follow normal SCM process		
COUNCIL ITEM NR	K(ii) 2 (04/2013)		

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand		2013	2012
<b>55. Deviation from supply chain management regulations (continued)</b>			
DESCRIPTION	Condonation of deviation for procurement of office furniture for Rural Development Section. Three quotations were obtained, instead of advertising on the website for 7 days.		
AWARDED TO	Oxford Office Furniture		
AMOUNT	R 53 148.04		
SECTION	Section 36 (1)(a)(v)		
COUNCIL ITEM NR	K(ii) 2 (04/2013)		
DESCRIPTION	The tender of Lesira-Teq has expired, by the water meters and equipment still needs to be serviced and repaired by Lesira-Teq as the sole provider of the Lesira-Teq prepaid water meter.		
AWARDED TO	Lesira-Teq		
AMOUNT	R 176 301 64 (excluding VAT)		
SECTION	Section 36 (1)(a)(v)		
COUNCIL ITEM NR	K(ii) 2 (04/2013)		
DESCRIPTION	Extension of Full Maintenance lease for 30 Public Safety Sedans from 30 April 2013 until 30 August 2014		
AWARDED TO	G-Fleet		
AMOUNT	R 245 520.00 per month R 3 928 320 for period of 16 months		
SECTION	Section 36 (1)(a)(v)		
COUNCIL ITEM NR	K(ii) 2 (04/2013)		
DESCRIPTION	Extension of Full Maintenance lease for 6 Refuse Compactors, for 30 June 2013 until 30 August 2014		
AWARDED TO	Sula Smart Supply Services		
AMOUNT	R 576 000.00 per month R 8 064 000 for period of 14 months		
SECTION	Section 36 (1)(a)(v)		
COUNCIL ITEM NR	K(ii) 4(07/2013)		
DESCRIPTION	Review to assist MCLM in providing assurance on the Adequacy and Effectiveness of Application controls on the BIQ financial system		
AWARDED TO	Athena IT Consulting		
AMOUNT	R 192 660.00		
SECTION	Section 36 (1)(a)(v): Impractical to follow procurement process		
COUNCIL ITEM NR	K(ii) 4(07/2013)		
DESCRIPTION	Testing of the Non-Cipal LIMMS Applications		
AWARDED TO	Comperio Forensic Services		
AMOUNT	R 343 989.72		
SECTION	Section 36 (1)(a)(v): Impractical to follow procurement process due to sensitive nature of scope of work		
COUNCIL ITEM NR	K(ii) 4(07/2013)		
DESCRIPTION	Refurbishment of Azaadville Swimming Pool		
AWARDED TO	Thunani Construction		
AMOUNT	R 1 500 000.00		
SECTION	Section 36 (1)(a)(v): Impractical to follow procurement process as previous two tenders did not deliver desired result		
COUNCIL ITEM NR	K(ii) 4(07/2013)		
DESCRIPTION	Management of Krugersdorp Game Reserve Lodge on a Temporary basis until the new tender is awarded		
AWARDED TO	Red Ant Security Services		
AMOUNT	Management Agreement		



# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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### 55. Deviation from supply chain management regulations (continued)

SECTION Section 36 (1)(a)(v): Impossible to follow procurement process due to urgency.

COUNCIL ITEM NR	K(ii) 4(07/2013)
DESCRIPTION	BIQ System Support and Maintenance for a period of 12 months and Migration of Visual Basic Applications used to access BIQ Financial System 1 July 2013 to 30 June 2014
AWARDED TO	Comperio Forensic Services
AMOUNT	BIQ System Support and Maintenance for 12 months R 98 736.00 (excluding VAT) per month. VB Applications: rate per hour will be charged
SECTION	Section 36 (1)(a)(v): Impractical to follow procurement process

COUNCIL ITEM NR	K(ii) 4(07/2013)
DESCRIPTION	Extension of tender SS (L) 13/2013: Supply, delivery and installation of Library Furniture for Krugersdorp Youth Section, Auditorium and various counters to install student lockers in solid wood.
AWARDED TO	Izandla Ziyagezana
AMOUNT	R 55 840.11
SECTION	Section 36 (1)(a)(v): Impractical to follow procurement process

COUNCIL ITEM NR	K(ii) 4(07/2013)
DESCRIPTION	Extension of contract for Construction of PR 2: Rietvallei Extension 2 Roads and Stormwater Stage 4
AWARDED TO	Century Civils cc
AMOUNT	Original appointment of R 5 300 303.23 to be increased to R 5 890 303.23 (additional amount R 590 000) MIG funded
SECTION	Section 36 (1)(a)(v): Impractical to follow procurement process

COUNCIL ITEM NR	K(ii) 4(07/2013)
DESCRIPTION	Extension of contract for Construction of PR 10: Rietvallei Extension 1 Proper Roads and Stormwater Stage 4
AWARDED TO	Monene Civils (Pty) Ltd
AMOUNT	Original appointment of R 3 500 000 be increased to R 4 200 000 (add amount of R 700 000) MIG funded
SECTION	Section 36 (1)(a)(v): Impractical to follow procurement process

COUNCIL ITEM NR	K(ii) 4(07/2013)
DESCRIPTION	Extension (20%) of tender I (R) 36/2012 for 4 Community Based Co-operatives to perform Maintenance Works in Kagiso, Munsieville, Rietvallei and CBD on an as and when required basis for a period of 12 months
AWARDED TO	MM Cleaning & Multi-Purpose Co-Operative, DSL-GB Civils Construction, Serontabole Construction, Mhobolo Construction & Maintenance, Tshenolo Construction & Maintenance
AMOUNT	Original approved value R 5 m – increased with R 1 m
SECTION	Section 36 (1)(a)(v): Impractical to follow procurement process

COUNCIL ITEM NR	K(ii) 4(07/2013)
DESCRIPTION	Extension (20%) of tender I (R) 38/2012 for the appointment of Community based Co-Operatives for the implementation of Erosion Control Measures on an as and when required basis for a period of 24 months
AWARDED TO	DSL GB & Civils Co-operative
AMOUNT	Original approved value R 771 511,78 increased with R 154 302.36
SECTION	Section 36 (1)(a)(v): Impractical to follow procurement process

COUNCIL ITEM NR	K(ii) 4(07/2013)
DESCRIPTION	Extension of tender IEM(P) 01/2011 for Kagiso Regional Park Development

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand		2013	2012
<b>55. Deviation from supply chain management regulations (continued)</b>			
AWARDED TO	Tswellapelle Plant cc Trading as Plantwise		
AMOUNT	Original reduced appointment of R 16 222 593.83 increased with R 3 578 203.77		
SECTION	Section 36 (1)(a)(v): Impractical to follow procurement process		
COUNCIL ITEM NR	K(ii) 4(07/2013)		
DESCRIPTION	Extension of Electrical Maintenance on Council Owned Buildings in terms of tender I (FM) 21/20101 for the Inner City for a period of two months ending 30 August 2013.		
AWARDED TO	Landa Electrical Projects		
AMOUNT	Original contract value R 2 769 660.45 increased with R 553 932.09 to R 3 323 592.09		
SECTION	Section 36 (1)(a)(v): Impractical to follow procurement process		
COUNCIL ITEM NR	K(ii) 4(07/2013)		
DESCRIPTION	Extension of contract I (R) 25/2011: Construction of PR 9: Ga-Mohale Roads and Stormwater		
AWARDED TO	Bovani Construction, Kgati Civils and B Martini Engineering JV		
AMOUNT	Contract value increased from R 15 446 305.85 to R 15 859 687.39		
SECTION	Section 36 (1)(a)(v): Impractical to follow procurement process		
COUNCIL ITEM NR	K(ii) 4(07/2013)		
DESCRIPTION	Extension of contract IEM (P) 05/2011: Construction of Azaadville Park Phase 2		
AWARDED TO	Tswellapele Plants CC. Consulting Engineers Ilifa Africa		
AMOUNT	Contract value increased from R 5 934 211.22 to R 6 445 056.08 (MIG)		
SECTION	Section 36 (1)(a)(v): Impractical to follow procurement process		
COUNCIL ITEM NR	K (ii) 4(08/2013)		
DESCRIPTION	Refurbishment of Kagiso Pre-Primary School		
AWARDED TO	Ultrasonic Express cc		
AMOUNT	R 2 500 000.00		
SECTION	Section 36 (1)(a)(v): Impractical to follow procurement process		
COUNCIL ITEM NR	K (ii) 4(08/2013)		
DESCRIPTION	Upgrading of Lewisham Tennis Courts		
AWARDED TO	Ultrasonic Express cc		
AMOUNT	R 1 000 000.00		
SECTION	Section 36 (1)(a)(v): Impractical to follow procurement process		
COUNCIL ITEM NR	K (ii) 4(08/2013)		
DESCRIPTION	SS (SU) 04/2011: Construction of new Munsieville Multi-Purpose Community Centre, Phase 2 & 3 – Request to alter design and quantity of the works.		
AWARDED TO	Mabone Construction cc and ProPlan Consulting Engineers		
AMOUNT	Original contract value R 22 270 912 extension R 2 286 492.57 (excluding VAT) Proplan extended with R 352 405.45 (excluding VAT)		
SECTION	Section 36 (1)(a)(v): Impractical to follow procurement process		
<b>CANCELLATION OF DEVIATION</b>			
COUNCIL ITEM NR	K(ii) 4(07/2013)		
DESCRIPTION	Cancellation of the appointment of a sole service provider for the deployment of part-time traffic pointsmen in MCLM for a period of three years		
AWARDED TO	Traffic Free Flow (Pty) Ltd		
AMOUNT	No cost to Council		
SECTION	In terms of section 36 (1)(a)(ii) of the SCM Policy a deviation was requested for purposes of acquiring services from a sole provider to go into a partnership with MCLM for the running of the pointsmen project in MCLM and it was approved by the MM in October 2012 and reported to Council in Jan 2013.		
<b>RATIFICATION OF MINOR BREACH OF PROCUREMENT PROCESS</b>			
COUNCIL ITEM NR	K(ii) 4(07/2013)		

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand		2013	2012
<b>55. Deviation from supply chain management regulations (continued)</b>			
DESCRIPTION	That the utilization of the incorrect tender number for certain documentation pertaining to the long term tender, be ratified by the Accounting Officer and reported to Council. The tender number utilized on certain documentation was I (R) 01/2013 which is the actual tender number for Management of Credit Control and Revenue Protection Administration – the correct tender number for the long term loan tender is I(R) 02/2013		
AWARDED TO	Nedbank		
AMOUNT	No financial implication		
SECTION	Section 36 (1)(b): Ratify minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which as purely of a technical nature		
COUNCIL ITEM NR	K(ii) 4(08/2013)		
DESCRIPTION	Security Threat Assessment. On two occasions during the previous financial year (2011/12), the Social Services Department was requested to obtain the services of a security company to “sweep” offices. Due to the sensitive nature of the project, quotations were not obtained at that stage from service providers. Also at the time of the first “sweep” it was not known that a second sweep would be required. This was deemed to be an emergency situation. This deviation was not reported to SCM at the time and therefore not reported to Council. It was however approved by the Municipal Manager. This expenditure was regarded as irregular by the Auditor-General during the 2011/12 financial year.		
AWARDED TO	Blue Technologies		
AMOUNT	R 198 000 and R 150 000		
SECTION	Section 36 (1)(b): Ratify minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which as purely of a technical nature		
CONDONATION			
COUNCIL ITEM NR	K(ii) 4(07/2013)		
DESCRIPTION	Potable water is delivered to settlements through a contract awarded to Twin M. From the current expenditure and the increase of service delivery to additional settlements, the allocated amount will not be sufficient for the entire contract period. As a result, Water & Sanitation started to install additional or new water pipe lines and communal stand pipes were possible to connect to Municipal infrastructure. SMME's were appointed to do the installation in Plot 6 Vlakplaats and Hekpoort informal settlements in order to minimize the water tanker deliveries.		
AWARDED TO	Eunice Buthi – Tarlton R 25 440 Patrick Matswe - Tarlton R 25 440 Joseph Senwelo – Tarlton R 20 160 Eunice Buthi - Tarlton R 20 160 Eunice Buthi – Hekpoort R 28 665 Patrick Matswe - Hekpoort R 28 665		
COUNCIL ITEM NR	K (ii) 3 (10/2013)		
DESCRIPTION	F (R) 04/2013: EasyPay was identified as the sole service provider for the provision of a third party cash collection agency for MCLM as well as the implementation and maintenance of a prepaid electricity vending system for MCLM for a period of three years. An official tender document was handed to Easypay as the sole provider and they complied with all the tender conditions. Due to the benefits that the new system (Itron) has brought to the municipality and to the community of Mogale City as a whole, due consideration had to be given regarding whether the system should be replaced as this is currently the best service in the market that can be provided to consumers. As the municipality owns the system, it is prudent to maintain the system and look for more cost efficient ways to maintain it. It is for this reason that the municipality investigated the feasibility of direct contracts for the services of iPay and EasyPay. The other reason for considering this option is that the municipality already has a contract with EasyPay for the receipt of payments for municipal services and it can be more cost effective to extend the		

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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### 55. Deviation from supply chain management regulations (continued)

service to include the electricity prepayment vending

AWARDED TO AMOUNT SECTION	EasyPay (Pty) Ltd R 175 000 pm for a period of three years. Officially appointed on 7 November 2012 Section 36 (1) (a)(i): Sole Service provider
COUNCIL ITEM NR DESCRIPTION	K (ii) 3 (10/2013) I (FM) 34/2010: Termination of contract with Ngatana Trading Enterprise and appointment of an alternative contractor to complete the New Perimeter Security Fence around the Civic Centre as a matter of urgency. Ultrasonic Express was on site working on a similar project: SS (SR) 14/2013: Construction of a new brick boundary wall and guardhouse around Kagiso Sport Complex. Ultrasonic Express was then appointed as the main contractor to complete the outstanding and defects work in terms of tender I (FM) 34/2010
AWARDED TO AMOUNT SECTION	Ultrasonic Express cc R 2 863 215.73 (this amount include the outstanding work together with the electrical nominated sub-contractors outstanding work to be executed, including R 362 231.54 defects work and escalation to an approx. value of R 210 976.91 Section 36 (1) (a)(v): Impractical to follow normal procurement process

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand

### 56. Statement of comparative and actual information

2013

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Financial Performance</b>											
Property rates	286,766,926	(20,771,533)	265,995,393	-		265,995,393	272,542,224		6,546,831	102 %	95 %
Service charges	1,140,415,734	(23,105,107)	1,117,310,627	-		1,117,310,627	1,068,026,371		(49,284,256)	96 %	94 %
Investment revenue	618,801	355,585	974,386	-		974,386	13,598,049		12,623,663	1,396 %	2,197 %
Transfers recognised - operational	227,133,311	1,182,993	228,316,304	-		228,316,304	225,551,339		(2,764,965)	99 %	99 %
Other own revenue	107,705,708	(20,042,627)	87,663,081	-		87,663,081	145,103,574		57,440,493	166 %	135 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>1,762,640,480</b>	<b>(62,380,689)</b>	<b>1,700,259,791</b>	<b>-</b>		<b>1,700,259,791</b>	<b>1,724,821,557</b>		<b>24,561,766</b>	<b>101 %</b>	<b>98 %</b>
Employee costs	(461,055,895)	(5,368,690)	(466,424,585)	-	-	(466,424,585)	(437,997,093)	-	28,427,492	94 %	95 %
Remuneration of councillors	(21,929,548)	-	(21,929,548)	-	-	(21,929,548)	(19,019,067)	-	2,910,481	87 %	87 %
Debt impairment	(50,557,867)	22,025,076	(28,532,791)			(28,532,791)	(28,532,791)	-	-	100 %	56 %
Depreciation and asset impairment	(195,491,637)	(46,865,775)	(242,357,412)			(242,357,412)	(240,680,205)	-	1,677,207	99 %	123 %
Finance charges	(44,416,925)	(7,144,894)	(51,561,819)	-	-	(51,561,819)	(45,072,281)	-	6,489,538	87 %	101 %
Materials and bulk purchases	(620,860,051)	(5,220,302)	(626,080,353)	-	-	(626,080,353)	(607,052,115)	-	19,028,238	97 %	98 %
Transfers and grants	(20,859,315)	(11,650,564)	(32,509,879)	-	-	(32,509,879)	(32,509,880)	-	(1)	100 %	156 %
Other expenditure	(472,119,653)	(71,008,054)	(543,127,707)	-	-	(543,127,707)	(492,205,951)	-	50,921,756	91 %	104 %
<b>Total expenditure</b>	<b>(1,887,290,891)</b>	<b>(125,233,203)</b>	<b>(2,012,524,094)</b>	<b>-</b>	<b>-</b>	<b>(2,012,524,094)</b>	<b>(1,903,069,383)</b>	<b>-</b>	<b>109,454,711</b>	<b>95 %</b>	<b>101 %</b>

## Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

### Notes to the Annual Financial Statements

Figures in Rand

#### 56. Statement of comparative and actual information (continued)

Surplus/(Deficit)	(124,650,411)	(187,613,892)	(312,264,303)	-	(312,264,303)	(178,247,826)	134,016,477	57 %	143 %
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## Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

### Notes to the Annual Financial Statements

Figures in Rand

#### 56. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	119,870,700	8,105,098	127,975,798	-		127,975,798	124,635,989		(3,339,809)	97 %	104 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>(4,779,711)</b>	<b>(179,508,794)</b>	<b>(184,288,505)</b>	-		<b>(184,288,505)</b>	<b>(53,611,837)</b>		<b>130,676,668</b>	<b>29 %</b>	<b>1,122 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>(4,779,711)</b>	<b>(179,508,794)</b>	<b>(184,288,505)</b>	-		<b>(184,288,505)</b>	<b>(53,611,837)</b>		<b>130,676,668</b>	<b>29 %</b>	<b>1,122 %</b>

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand

### 56. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	(382,974,160)	24,462,662	(358,511,498)	-		(358,511,498)	(331,533,135)		26,978,363	92 %	87 %
<b>Sources of capital funds</b>											
Transfers recognised - capital	(119,870,700)	(8,102,025)	(127,972,725)	-		(127,972,725)	(124,635,989)		3,336,736	97 %	104 %
Borrowing	(190,994,208)	14,552,841	(176,441,367)	-		(176,441,367)	(167,773,375)		8,667,992	95 %	88 %
Internally generated funds	(72,109,252)	18,011,846	(54,097,406)	-		(54,097,406)	(39,123,771)		14,973,635	72 %	54 %
<b>Total sources of capital funds</b>	<b>(382,974,160)</b>	<b>24,462,662</b>	<b>(358,511,498)</b>	<b>-</b>		<b>(358,511,498)</b>	<b>(331,533,135)</b>		<b>26,978,363</b>	<b>92 %</b>	<b>87 %</b>



# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand

### 56. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Cash flows</b>											
Net cash from (used) operating	203,026,533	(15,851,630)	187,174,903	-		187,174,903	185,177,866		(1,997,037)	99 %	91 %
Net cash from (used) investing	(376,074,159)	17,712,625	(358,361,534)	-		(358,361,534)	(311,066,643)		47,294,891	87 %	83 %
Net cash from (used) financing	176,303,397	(4,613,208)	171,690,189	-		171,690,189	172,276,762		586,573	100 %	98 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3,255,771</b>	<b>(2,752,213)</b>	<b>503,558</b>	<b>-</b>		<b>503,558</b>	<b>46,387,985</b>		<b>45,884,427</b>	<b>9,212 %</b>	<b>1,425 %</b>
Cash and cash equivalents at the beginning of the year	43,775,288	-	43,775,288	-		43,775,288	43,775,288		-	100 %	100 %
<b>Cash and cash equivalents at year end</b>	<b>47,031,059</b>	<b>(2,752,213)</b>	<b>44,278,846</b>	<b>-</b>		<b>44,278,846</b>	<b>90,163,273</b>		<b>(45,884,427)</b>	<b>204 %</b>	<b>192 %</b>

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

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### 57. New standards and interpretations

#### 57.1 New Standards and Interpretations

#### **Standards and interpretations effective and adopted in the current year:**

##### **GRAP 21: Impairment of non-cash-generating assets**

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

A municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

A municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, an entity estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

The effective date of the standard is for years beginning on or after 01 April 2013.

The impact of the adoption is not material.

##### **GRAP 23: Revenue from Non-exchange Transactions**

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as an amount equal to that reduction.

The effective date of the standard is for years beginning on or after 01 April 2012.

The impact of the adoption is not material.

##### **GRAP 24: Presentation of Budget Information in the Financial Statements**

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

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### 57. New standards and interpretations (continued)

conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

The effective date of the standard is for years beginning on or after 01 April 2012.

The impact of the adoption is not material.

### GRAP 26: Impairment of cash-generating assets

Cash-generating assets are those assets held by a municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, a municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, a municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and a municipality applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, a municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, an entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, a municipality estimates the recoverable amount of that asset.

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

---

### 57. New standards and interpretations (continued)

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

The effective date of the standard is for years beginning on or after 01 April 2012.

The impact of the adoption is not material.

#### GRAP 103: Heritage Assets

GRAP 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

GRAP 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

GRAP103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

GRAP 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

---

### 57. New standards and interpretations (continued)

date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 April 2012.

The impact of the adoption is not material.

### GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments.

Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, a municipality considers the substance of the contract and not just the legal form.

Financial assets and financial liabilities are initially recognised at fair value. Where a municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest. Short term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and

Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. A municipality measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

• Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, a municipality can however designate such an instrument to be measured at fair value.

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

---

### 57. New standards and interpretations (continued)

A municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once a municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

A municipality derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, a municipality has transferred control of the asset to another municipality.

A municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

A municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for an municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that an municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

The effective date of the standard is for years beginning on or after 01 April 2012.

The impact of the adoption is not material.

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

---

### 57. New standards and interpretations (continued)

#### 57.2 New standards and interpretations

##### Standards and interpretations not early adopted

The following standards and interpretations are effective and have not been early adopted by the municipality:

##### **GRAP 25: Employee benefits**

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires a municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when a municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

The standard GRAP states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
  - All short-term employee benefits;
  - Short-term compensated absences;
  - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The major difference between this Standard of GRAP and IAS 19 is with regards to the treatment of actuarial gains and losses and past service costs. This Standard of GRAP requires a municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.

The effective date of the standard is for years beginning on or after 01 April 2014.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

The municipality does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to the municipality's operations.

##### Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods:

##### **IGRAP 16: Intangible Assets - Website Costs**

The Interpretation deals with the treatment of a municipality's own website. The guidance on website costs was previously included in the Standard of GRAP on Intangible Assets.

It concludes that a municipality's own website that arises from development and is for internal or external access is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets. A website arising from development will be recognised as an intangible asset if, and only if, in addition to complying with the general requirements described in the Standard of GRAP on Intangible Assets for recognition and initial measurement, a municipality can satisfy the requirements in paragraph .54 in the Standard of GRAP on Intangible Assets, which in particular requires a municipality to be able to demonstrate how its website will generate probable future economic benefits or service potential.

If a municipality is not able to demonstrate how a website developed solely or primarily for providing information about its own products and services will generate probable future economic benefits or service potential, all expenditure on developing such a website will be recognised as an expense when incurred.

A website that is recognised as an intangible asset under this Interpretation will be measured after initial recognition by applying the requirements in the Standard of GRAP on Intangible Assets.

The effective date of the interpretation is for years beginning on or after 01 April 2014.

The municipality expects to adopt the interpretation for the first time in the 2014 financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's financial statements.

##### **GRAP 18: Segment Reporting**

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

---

### 57. New standards and interpretations (continued)

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The impact of this standard is currently being assessed.

### GRAP 20: Related Party Disclosures

The objective of this Standard of GRAP is to ensure that a municipality's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

This Standard of GRAP requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the municipality in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This Standard of GRAP also applies to individual financial statements.

This Standard of GRAP requires that only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another municipality, entity or person are disclosed.

The Standard of GRAP sets out the requirements, inter alia, for the disclosure of:

Control;

Related party transactions; and

Remuneration of management

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The impact of this standard is currently being assessed.

### GRAP 105: Transfers of functions between entities under common control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. A transfer of functions between municipalities under common control is a reorganisation and /or reallocation of functions between municipalities that are ultimately controlled by the same entity before and after a transfer of functions. In the event of the transfer of functions between municipalities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus/(deficit). Specific disclosures are required when there is a transfer of functions between municipalities under common control

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The impact of this standard is currently being assessed.

### GRAP 106: Transfers of functions between entities not under common control

The objective of this Standard of GRAP is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

A transfer of functions between municipalities not under common control is a reorganisation and /or reallocation of functions between municipalities that are not ultimately controlled by the same entity before and after a transfer of functions. In the event of the transfer of functions between municipalities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values and should be derecognised (by the acquiree) at their carrying amounts. The difference between amount of consideration paid or received, if any, and the fair value of assets and liabilities acquired assumed or carrying amounts of assets transferred and liabilities relinquished should be recognised



# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

### 57. New standards and interpretations (continued)

in accumulated surplus/(deficit). for a transfer of functions between municipalities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles Specific disclosures are required when there is a transfer of functions between municipalities under common control

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The impact of this standard is currently being assessed.

### GRAP 107: Mergers

The objective of this Standard of GRAP is to establish accounting principles for the combined municipality and combining municipalities in a merger. A merger is where a new combined municipality is started, no acquirer can be identified and the combining municipalities do not have any control over the municipality. in the event of the merger, the assets and liabilities should be recognised (by the combined municipality) at their carrying amounts and should be derecognised ( by the combining municipalities) at their carrying amounts. the difference the carrying amounts of assets and liabilities should be recognised in accumulated surplus/(deficit). Specific disclosures are required when there is a merger.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The impact of this standard is currently being assessed.

### 58. Risk management

#### Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 14, cash and cash equivalents disclosed in note 12, and equity as disclosed in the statement changes in net assets.

Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of changes in net assets plus net debt.

The municipality's strategy is to maintain a gearing ratio of between 0.04% to 0.01%.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio at 2013 and 2012 respectively were as follows:5.23% and 3.16%.

#### Total borrowings

Finance lease obligation	14	12,600,759	21,236,614
Other financial liabilities	18	366,642,598	195,093,029
		<b>379,243,357</b>	<b>216,329,643</b>
Less: Cash and cash equivalents	12	90,163,273	43,775,288
Net debt		289,080,084	172,554,355
Total equity		5,233,694,444	5,286,960,253
<b>Total capital</b>		<b>5,522,774,528</b>	<b>5,459,514,608</b>

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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### 58. Risk management (continued)

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecast are prepared and adequate utilised borrowing facilities are monitored.

#### Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 100% of its borrowings in fixed rate instruments.

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade and other receivable from non exchange transactions and consumer debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

No credit limits were exceeded during the reporting period, and management does not expect any deficits from non-performance by these counterparties.

#### Market risk

(a) a sensitivity analysis for each type of market risk to which the entity is exposed at the end of the reporting period, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date;

(b) the methods and assumptions used in preparing the sensitivity analysis; and

(c) Changes from the previous period in the methods and assumptions used, and the reasons for such changes."

# Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended June 30, 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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### 59. Budget differences

#### Material differences between budget and actual amounts

##### Revenue:

1. Interest received on outstanding – the municipality embarked on a credit control campaign implementing measures like cutting off services where there were outstanding amounts, there was notable response to this campaign that is evident from the outcomes of the actuals on main tariffs.
2. Income from agency services – the municipality has experienced an increase from people who come to our license department to renew or apply for new licenses.
3. Interest on investments – this is largely the interest earned from the funds received from the Nedbank loan, the initial plan was to expend the loan on receipt, however since most of the expenditure on this funding source was expended towards the end of the FY, this funds had to be invested in the interim.
4. Other income – this is made up of a variety of income items, notably asset donated (Chief Mogale) which in terms of GRAP will have to be recognized as income, in addition bulk contributions, entrance fees from game reserve are also some of the highest contributors.

##### Expenditure:

1. Remuneration of Cllrs – much of the savings was realized on basic allowances of Cllrs.
2. Finance costs – this expenditure is expended on actuarial costs and was largely based on the previous year's expenditure, and since there was no clear indication on the direction of borrowing costs (interest rates), the municipality budgeted prudently and used an increment of 10% on previous years actuals.
3. Debt impairment – this cost item is linked to the collection rate on the main tariffs, and as mentioned above that a credit control campaign was embarked, it is evident from the low expenditure on the item that the campaign yielded above average results.
4. Contracted services – the municipality realised a saving on this cost items, notable is the observation that there is no line item that had material variance, this saving is made up of a number of line items that had varying amounts, however the following are noted – rental of water tankers, TEDCO, vehicle leases, consultant fees, lease of IT equipment and lease of office equipment.
5. Depreciation -this line item has contributed on the over expenditure
6. General expenses-the main contributor is fair value adjustments for investment property and assets written off which are non-cash items. The overall the operational expenditure budget has not over-spent,.



